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Edmonton, Alberta T6G 2R6

we are a real estate company

## **Dundee Realty Corporation**

Founded in 1996, Dundee Realty has grown rapidly to become one of Canada's largest owners, managers and developers of real estate.

**\$1.1 billion in assets**

**12.1 million square feet of commercial revenue properties**

**56 office buildings**

**111 industrial buildings**

**2,200 tenants**

**3,569 acres of land held for development**

**570 lots sold in 2000**

**186 homes sold in 2000**

**370 employees**

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### **Real estate is an excellent, enduring asset class**

Real estate is quite unique among asset classes in that it has consistently generated long-term wealth, around the world, over many years and through numerous economic cycles.

The attraction of rental properties is their predictable cash flow from long-term contracts and the pass through of most operating expenses under these leases. This cash flow is improved by using moderate amounts of low cost, fixed rate debt.

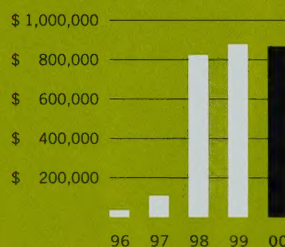
Investing in real estate also provides owners with two return components: cash flow, which is reinvested in the Company, and value appreciation from rental growth.

Our asset strategy provides real strength

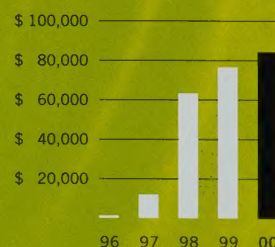
Dundee Realty's objective has always been to build a solid financial platform for income growth and asset enhancement. The basis of our strategy is the ownership and management of well-located, highly functional office, flex space and industrial revenue properties.

We believe our size affords us competitive operational advantages in our targeted asset classes. And because we face less competition, we can uncover better values. By owning many similar assets, we are able to reduce our overall financial risk. We stick to what we know. No single

**Revenue properties assets**  
(in thousands of dollars)



**EBITDA**  
(in thousands of dollars)



**MICHAEL J. COOPER,**  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

#### CAPITAL ALLOCATION

We strategically allocate capital to four core activities

- Property acquisition and development
- Investment in operational improvements
  - Debt repayment
  - Share repurchases

Our capital allocation strategy is a reflection of market conditions and the availability of opportunities

asset represents a disproportionate share of our cash flow or portfolio value. We further reduce risk and increase our exposure to opportunity by owning assets that are diversified geographically across Canada.

Our secondary focus is our land and housing operations in Western Canada and Colorado. They offer significant cash flow contribution and growth opportunities in their own right, and provide diversification to our core revenue properties.



#### Strategy

Properties:	182
Contribution from:	
Québec	\$15.8MM
Ontario	\$27.0MM
Western Canada	\$23.2MM
Average contribution from land and housing since 1996:	\$7.3MM
Largest tenant:	<2% of revenue

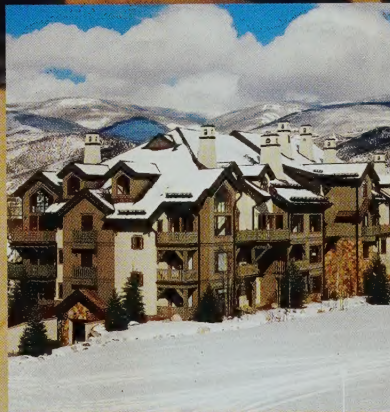
#### REPURCHASE OF SHARES

Over the last few years, the most compelling use of our capital has been to invest in our own company. Since 1998 we have acquired and cancelled over 21% of our outstanding shares at an average cost of less than one-half of our book value per share.

We have built a strong real estate company

In our view, being a real estate company means more than owning a collection of land and buildings. It means assembling the right assets, applying operational know-how, building relationships and earning the reputation needed to create and take full advantage of compelling opportunities.

We began in 1996 with no assets, no staff and no capital. But we had an insight. Despite the low cost of debt and equity capital, assets were trading below their inherent value.



#### LAUNCHING A BUSINESS

APRIL 1996 TO FEBRUARY 1997

Our first step was to assemble a land and housing portfolio located in Western Canada and Colorado and valued at about \$60 million.

Because it encompassed projects offering returns of 30% to over 100%, our portfolio created the investor confidence and momentum to take Dundee Realty to the next level. What we lacked, however, was the recurring revenues necessary to lay a solid foundation for long-term income growth and asset appreciation.

#### GROWTH AND CAPITALIZATION

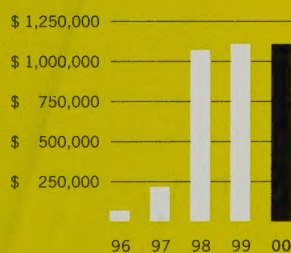
MARCH 1997 TO MAY 1998

The solution was threefold: shifting our emphasis to rental properties, funding our growth through equity, and assembling a critical mass of assets.

We began a series of property acquisitions and equity financing. In early 1998, we completed our largest series of acquisitions, which included issuing \$370 million of equity for cash and properties. By May of that year, Dundee Realty had amassed more than \$1 billion in assets, including 127 revenue properties.



**Total assets**  
(in thousands of dollars)



#### Operations

Accounting systems inherited:	12
Accounting systems in place:	1
Employees in 1996:	7
Employees in 1998:	470
Employees in 2000:	370

#### OPERATIONAL EXCELLENCE JUNE 1998 TO DECEMBER 2000

Our next objective was to create an efficient, responsive operating platform.

We redesigned every aspect of our business – from the systems we use, to how we interact with our tenants, to how we conduct our procurement.

We also began making strategic changes to our portfolio, selling U.S. and retail properties while growing our Canadian office and industrial portfolios.

#### TAKING ADVANTAGE OF OPPORTUNITIES

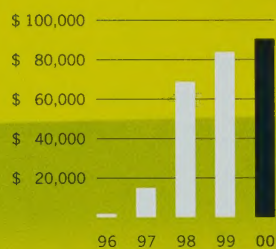
#### JANUARY 2001 AND BEYOND

We now have the assets, cash flow, relationships and people we need to create our own opportunities and deliver strong financial results over the long term.

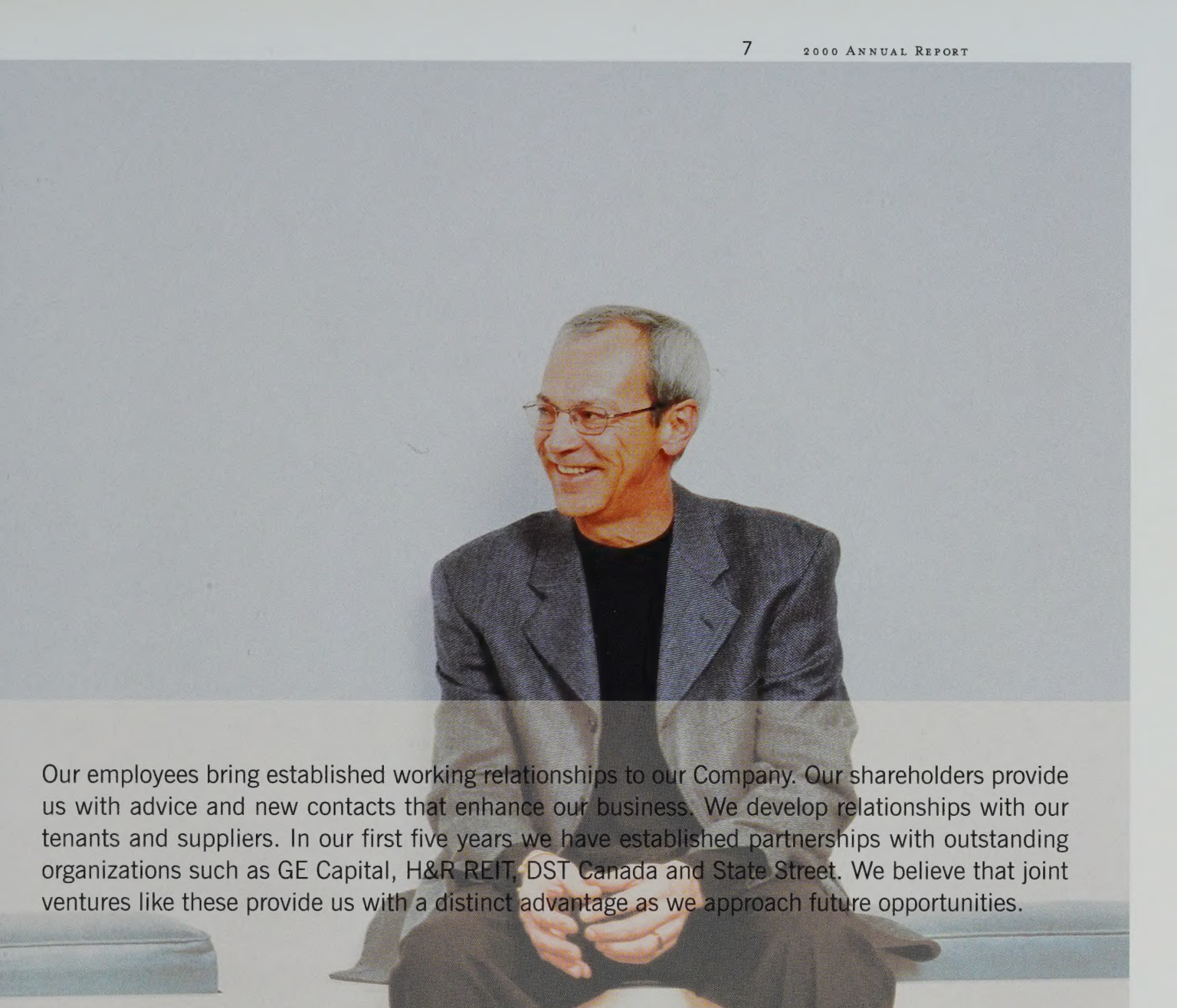
### We view our relationships as assets

Over the last five years we have developed many new and valuable relationships. We have 2,200 tenants, 370 motivated and capable employees, and thousands of shareholders and suppliers. We endeavour to add as much value to the Company as we can from each of these associations and turn each contact we make into a productive relationship. We believe these connections create additional opportunities, not only for Dundee Realty, but for all of our stakeholders.

**Contribution from operations**  
(in thousands of dollars)



ANGELO OSUALDINI,  
EPCOR UTILITIES INC.  
AND CRAIG ATMAN,  
DUNDEE REALTY CORPORATION



Our employees bring established working relationships to our Company. Our shareholders provide us with advice and new contacts that enhance our business. We develop relationships with our tenants and suppliers. In our first five years we have established partnerships with outstanding organizations such as GE Capital, H&R REIT, DST Canada and State Street. We believe that joint ventures like these provide us with a distinct advantage as we approach future opportunities.



#### Relationships


Partnerships: 23

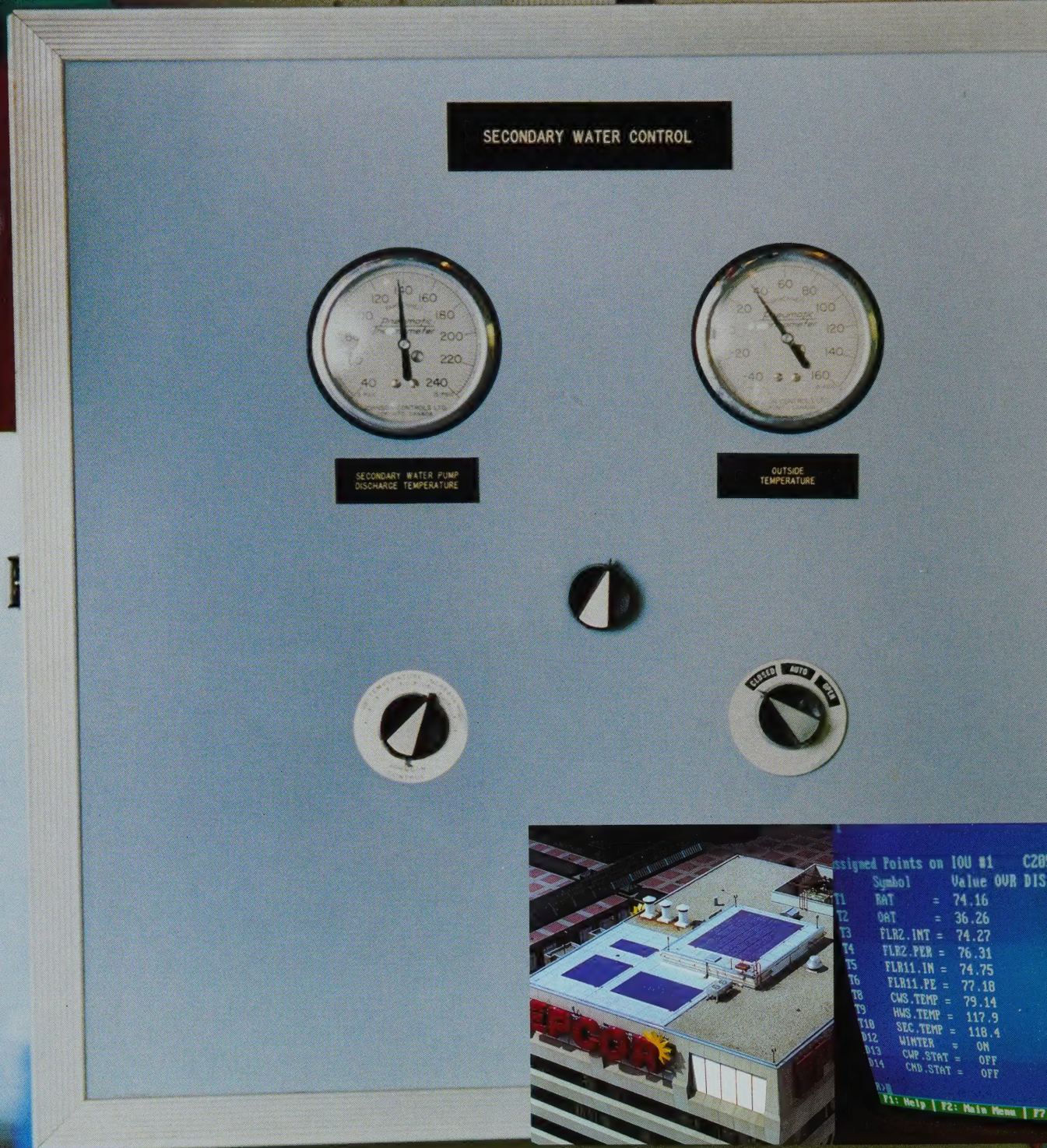
Lenders: 31

Attendance at German  
information meetings: 300

Community sports teams  
wearing our logo: 20

Charitable  
organizations supported: 108





#### ICE SLURRY HVAC SYSTEM

An ice slurry system is planned for EPCOR Centre in Edmonton that will capture and store cooler evening air and use it to cool the building the next day. It promises to be a more energy and cost efficient way to service our buildings.

#### WEB-BASED MONITORING AND CONTROL OF HVAC SYSTEMS

In order to improve the operational efficiency of our buildings, we worked with one of our Montréal tenants to design and install a state-of-the-art energy management system. In addition to saving energy, this system provides improved temperature control and greater reliability in our buildings.

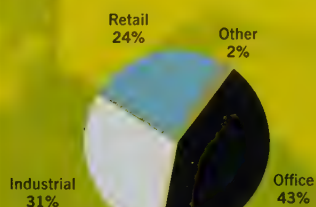
Assigned Points on IOU #1 C20		
Symbol	Value	OUR DIS
T1	RAT = 74.16	
T2	OAT = 36.26	
T3	FLR2. INT = 74.27	
T4	FLR2. PEN = 76.31	
T5	FLR11. IN = 74.75	
T6	FLR11. PE = 77.18	
T8	CWS. TEMP = 79.14	
T9	HWS. TEMP = 117.9	
T10	SEC. TEMP = 118.4	
D12	WINTER = ON	
D13	CWP. STAT = OFF	
D14	CMB. STAT = OFF	

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We are committed to our tenants.

At Dundee Realty, we continually enhance the quality and value of our buildings, improve services to tenants and reduce operating costs. Over the past two years we have invested more than \$39 million in our existing portfolio, upgrading virtually every building we own. These investments include everything from roofs and parking lots to advanced building systems. They are designed to enhance our tenants' experience, increasing the probability that they will renew with us and recommend us.

#### Contribution from operations by segment



**PARTNERSHIP WITH EMPORI.COM**  
We recently formed a strategic partnership with EMPORI.COM, a B2B e-tailer offering tenants pre-negotiated discounts from leading business suppliers.

#### TENANT-FOCUSED TECHNOLOGY INITIATIVES

Our comprehensive telecommunications initiative provides tenants with broadband access, offering increased connectivity at a lower cost. We have just rolled out a new online, web-enabled response system that allows tenants to make and track their service requests online. It also lets us identify recurring concerns and create preventative maintenance schedules.

#### Buildings

Buildings upgraded in 2000: 121

Tenant population:  
office buildings 15,000  
industrial buildings 6,000

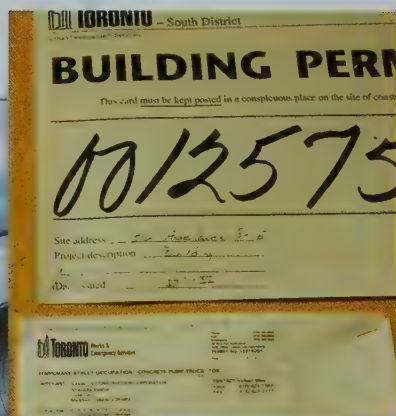
Height of our buildings stacked: CN Tower x 5

Money saved through national contracts: est. \$1MM

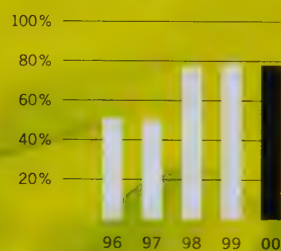
### As a dominant specialist in our core markets


Our position as a dominant specialist in our core markets gives us the profile to attract and capitalize on new opportunities. For example, our landmark office development at 30 Adelaide East in downtown Toronto will be the first to market during the current development cycle. The building – now known as State Street Financial Centre – is 99% pre-leased, will be ready for occupancy within 27 months of our acquisition, and will exceed our original return projections.

Dundee Realty's legacy in land and housing positions us to capitalize on further opportunities and produces exceptional returns under the guidance of our knowledgeable management team.



Book value of revenue properties  
as a percent of total assets





In Colorado, our experience with the original Beaver Creek condominium project created a productive relationship with Vail Resorts. This has led to the completion of three additional projects over the last four years, as well as the acquisition of Arapahoe Basin, a prized ski area that has proven to be a valuable investment for us.

Our large scale, healthy cash flow, conservative debt ratio and growing reputation have contributed to these successes. These same qualities will assure that Dundee Realty continues to realize value for our shareholders.



#### State Street Financial Centre

Building materials removed:	> 13MM lbs.
Building population at year-end:	1,400
Current pre-leasing level:	99%
Time from purchase to occupancy:	27 months



Michael J. Cooper  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER



Ned Goodman  
CHAIRMAN

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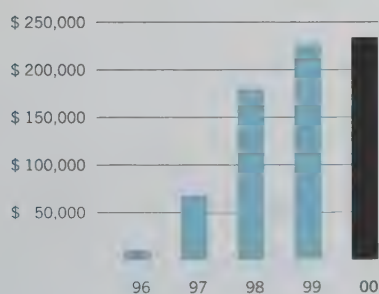
## Financial highlights

For the Years Ended December 31

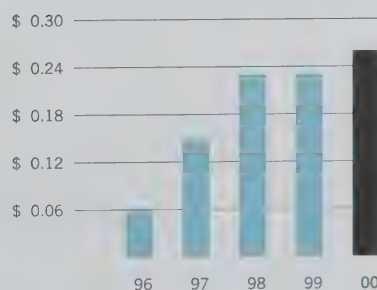
	2000	1999	1998	1997 <sup>2</sup>	1996
<b>Financial position</b> (in thousands)					
Revenue properties assets	\$ 867,718	\$ 877,523	\$ 822,811	\$ 108,834	\$ 34,968
Total assets	1,107,962	1,107,926	1,069,897	216,446	68,617
Debt	549,456	556,293	506,949	53,133	19,623
Shareholders' equity	464,434	464,777	477,341	135,895	43,883
<b>Operating results</b> (in thousands)					
Revenue	\$ 234,049	\$ 227,370	\$ 180,350	\$ 68,330	\$ 11,001
EBITDA <sup>1</sup>	84,300	76,637	63,297	11,967	1,316
Net income	15,261	13,177	17,643	6,346	578
Funds from operations	43,517	41,564	37,326	10,113	713
<b>Per share data</b>					
Earnings per share – basic	\$ 0.092	\$ 0.074	\$ 0.132	\$ 0.100	\$ 0.060
Earnings per share – diluted	0.091	0.072	0.110	0.096	0.047
Funds from operations per share – basic	0.263	0.232	0.279	0.159	0.073
Funds from operations per share – diluted	0.260	0.228	0.232	0.153	0.055
Book value per share	2.89	2.67	2.51	1.71	0.97
<b>Common shares</b> (in thousands)					
Outstanding at year-end	160,534	174,020	190,322	79,673	45,338
Weighted average outstanding					
Basic	165,186	179,379	133,921	63,770	9,705
Diluted	167,593	181,900	160,910	65,911	16,103
<b>Ratios</b>					
Revenue properties as a percent of total assets	78%	79%	77%	50%	51
EBITDA coverage of interest expense	2.23	2.42	2.96	15.30	2.25
Percentage of floating rate debt	17%	16%	18%	4%	15
Debt to equity	1.18	1.20	1.06	0.39	0.45

<sup>1</sup> Earnings before interest, taxes, depreciation and amortization<sup>2</sup> Certain figures have been restated to be consistent with the 2000 financial statements

**Gross revenue**  
(in thousands of dollars)



**Funds from operations per share**



**Book value per share**



## Management's discussion and analysis

### Introduction

Dundee Realty Corporation ("Dundee Realty" or "the Company") is a diversified public real estate company that owns, develops and manages commercial revenue properties in Canada and, to a lesser degree, is engaged in land and housing development in Canada and the United States. The Company was incorporated in 1995 and has been listed on the Toronto Stock Exchange since 1997.

#### Office Revenue Properties

Dundee Realty's office portfolio remained relatively constant over the course of 2000. Office vacancies continue to hit new lows in most Canadian cities, and the average occupancy level of our 3.3 million square feet of stabilized office assets is quite strong, reaching 94% at the end of 2000.

An important part of our success is the fact that market rents are still well below replacement levels in those markets in which we operate, and new supply has been limited. As a result, our buildings have experienced high levels of occupancy and increasing rents. We expect demand through 2001 and beyond to reflect the performance of the wider Canadian economy.

#### Industrial Revenue Properties

Dundee Realty owns a portfolio of over 6.1 million square feet of prime industrial space concentrated in the best locations in Toronto, Montréal, Edmonton and Calgary. Our portfolio of warehouse and flex space enjoys an average ceiling clearance of 20 feet and is perceived by the market as highly functional, as evidenced by average occupancy of 97% at year-end. The disposition of almost 245,000 square feet of non-core industrial properties in 2000 strengthened our asset base and our clustering strategy allows us to maintain tenant relationships even as our tenants grow into larger premises.

We expect continuing strong demand for warehouse and flex space, driven by the growth of the diverse Canadian economy. Our average tenant size of under 14,000 square feet is indicative of the nature of our portfolio, which includes a good mix of smaller multi-tenant flex space and larger single-tenant warehousing and manufacturing space.

#### Retail and Other Revenue Properties

Dundee Realty made further progress in reducing its portfolio of non-core retail assets in 2000. We sold one retail property in 2000 and are currently positioning several of our remaining shopping centre assets for disposition. The bulk of our residential revenue properties were sold in 1999 and most of our remaining rental units are currently under agreement for sale.

#### Land and Housing

The land and housing groups continued to generate strong cash flows in 2000 but were not able to duplicate the record return levels set in 1999. Lot sales decreased by 8% to 570, while land parcel volumes were comparable to 1999. Although the housing sales volume increased by 33%, the returns were weaker as this volume was generated in the absence of any new projects in the strong Colorado condominium marketplace. We expect performance from this segment will improve in 2001 as our next Colorado project is under construction and will be completed and available for sale during the year.

### Discussion and Analysis

The following discussion and analysis of the consolidated financial position and results of operations is based primarily on the consolidated financial statements of the Company for the years ended December 31, 2000 and 1999. It should be read in conjunction with the consolidated financial statements and notes contained in this Annual Report.

Throughout this discussion and in the consolidated financial statements, the Company uses the term "contribution from operations", which is synonymous with the general real estate term "net operating income" used in the context of property operating results.

All amounts in the following discussion are presented in thousands of dollars with the exception of square footage, unit volume, acreage, number of common shares and per share amounts and the average selling price of single family lots and homes sold.

## Management's discussion and analysis

## Performance Measurement

The following table outlines the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA") and funds from operations ("FFO"), two key measures of performance used by real estate operating companies:

For the Years Ended December 31	2000	1999
Revenue properties:		
Office	\$ 31,890	\$ 28,414
Industrial	23,088	15,767
Retail	18,074	19
Other	1,653	3,180
Total revenue properties	74,705	67,22
Land	7,780	
Housing and condominiums	(203)	2,7
Property management	3,821	
Interest and other income	4,654	4,810
Contribution from operations	90,757	83,69
General and administrative expenses	6,457	7,056
EBITDA	84,300	76,637
Interest expense	37,784	31
Current income and large corporations taxes	2,999	3
Funds from operations	\$ 43,517	\$ 41,564
Funds from operations per share		
Basic	\$ 0.263	
Diluted	\$ 0.260	

EBITDA showed a substantial increase of \$7,663, or 10% in 2000, while FFO grew by \$1,953, or 4.7% to \$43,517.

The increases in EBITDA and FFO are due in part to acquisitions completed in late 1999 being included in operations for a full 12-month period and revenue growth in the core office and industrial portfolios.

Diluted FFO per share increased 14% to \$0.260 per share in 2000 from \$0.228 in 1999. The increase in FFO per share is a result of an increase in the underlying funds from operations as well as a reduction in the outstanding shares due to our repurchasing initiatives.

At December 31, 2000, the basic book value per common share was \$2.89 and the diluted book value per share was \$2.76. The \$0.263 in basic FFO per share in 2000 represented a 9.1% trailing return on basic book value. Based on the market price of \$1.52 per share at the end of the year, the trailing diluted FFO return was 17.1%.

## Management's discussion and analysis

## Results of Operations

## Revenue Properties

Revenue properties are the Company's primary business unit and are divided into four distinct operating segments: office, industrial, retail and other. The other category consists of residential revenue properties, a hotel and a ski hill operation.

The following tables show the distribution of the contribution from operations by geographic region and for each revenue properties operating segment:

	2000		1999		Growth	
	Total	%	Total	%	Amount	%
Québec	\$ 15,846	21	\$ 6,457	10	\$ 9,389	145
Ontario	26,984	36	27,216	40	(232)	(1)
Western Canada	23,224	31	23,255	35	(31)	0
Total Canada	66,054	88	56,928	85	9,126	16
United States	8,651	12	10,292	15	(1,641)	(16)
Total	\$ 74,705	100	\$ 67,220	100	\$ 7,485	11

	2000		1999		Growth	
	Total	%	Total	%	Amount	%
Office	\$ 31,890	43	\$ 28,414	42	\$ 3,476	12
Industrial	23,088	31	15,767	23	7,321	46
Retail	18,074	24	19,859	30	(1,785)	(9)
Other	1,653	2	3,180	5	(1,527)	(48)
Total	\$ 74,705	100	\$ 67,220	100	\$ 7,485	11

Contribution from operations from the other segment has continued to decline on a proportionate basis, from 11% in 1998, to 5% in 1999, and to only 2% in 2000. This decline was due to the sale of the Company's residential revenue properties and an overall increase in contribution from the commercial revenue properties segments. A significant part of the growth in contribution from revenue properties was due to the acquisition of the Montréal portfolio of office and industrial properties in late 1999. Contribution from the industrial segment grew by 46%, while contribution from the office segment grew by 12%.

Although a substantial portion of our operating base remains in Ontario, the geographic distribution of the contribution has been diversified across the major regions of Canada. The most notable change occurred in the proportionate contribution from Québec, which more than doubled.

## Management's discussion and analysis

At December 31, 2000, the commercial revenue properties consisted of the following components by gross leasable area:

	Proportionate Gross Leasable Area (in square feet)				
	2000				1999
	Office	Industrial	Retail	Total	Total
Québec	757,074	2,800,805	–	3,557,879	3,563,524
Ontario	2,178,820	1,335,498	910,336	4,424,654	4,689,744
Western Canada	563,003	1,973,946	637,448	3,174,397	3,445,903
Total Canada	3,498,897	6,110,249	1,547,784	11,156,930	11,699,171
United States	33,234	–	871,495	904,729	904,211
Total at December 31, 2000	3,532,131	6,110,249	2,419,279	12,061,659	12,603,38
Total at December 31, 1999	3,696,649	6,350,977	2,555,756	12,603,382	

At December 31, 2000, the Company owned almost 12.1 million square feet of commercial revenue properties. Owned square footage decreased by 0.5 million square feet, or 4% during 2000 as a result of our disposition strategy.

The lease maturity profile of the 11.5 million square feet of stabilized commercial revenue properties as at December 31, 2000 was as follows:

(in square feet)	Current Vacancy	Monthly Tenancies	2001	2002	2003	2004	2005+	Total
Office	212,329	89,439	368,539	366,034	542,674	523,436	1,234,190	3,336,641
Industrial	213,418	178,353	1,284,915	817,221	1,029,263	796,829	1,790,250	6,110,249
Retail	198,951	252,792	115,373	244,981	111,271	156,278	972,109	2,051,755
Total stabilized	624,698	520,584	1,768,827	1,428,236	1,683,208	1,476,543	3,996,549	11,498,645
Percentage	5%	5%	15%	12%	15%	13%	35%	100%
Revenue properties under development								563,014
<b>Total</b>								<b>12,061,659</b>

On a segmented basis, occupancy in the stabilized commercial revenue properties portfolio as at December 31, 2000 was as follows:

	Occupancy
Office	94%
Industrial	97%
Retail	90%
<b>Overall</b>	<b>95%</b>

The Company has approximately 42% of its leases maturing during the next three years. When this is added to current vacancy and monthly tenancies, about 6 million square feet or 52% of the stabilized portfolio will be available for renewal or re-leasing prior to the end of 2003. Dundee Realty expects to continue to capture the uplift in market rents that has occurred over the past several years.

## Management's discussion and analysis

The rental market has been strong over the past few years, and rental rates have increased in the asset classes and regions in which the Company operates. The following table compares the current weighted average in-place contract rents to estimated current market rents for similar quality space in the respective region. The average market rent has been estimated through reference to recent leasing activity and leasing interest in the Company's properties as well as leasing activity in comparable properties.

	Average Remaining Lease Term (years)	Average In-place Contract Rent (per sq. ft.)	Estimated Current Market Rent (per sq. ft.)
Office	4.20	\$ 10.81	\$ 13.61
Industrial	3.39	4.30	4.51
Retail	5.38	10.29	11.48
Overall	3.96	\$ 7.19	\$ 8.32

## Land and Development

The contribution from operations from the land division decreased by 15% in 2000. Overall contribution from land represented 9% of the total segmented contribution in 2000, down from 12% in 1999.

	2000			1999			
	Gross Revenue	Cost of Sales	Contribution from Operations	Gross Revenue	Cost of Sales	Contribution from Operations	Change
Single family lots:							
Saskatoon	\$ 2,756	\$ 2,610	\$ 146	\$ 4,559	\$ 3,870	\$ 689	\$ (543)
Regina	4,691	4,497	194	4,664	4,243	421	(227)
Edmonton	9,593	8,310	1,283	8,481	6,700	1,781	(498)
Calgary	9,208	5,368	3,840	11,444	6,822	4,622	(782)
Total single family lots	26,248	20,785	5,463	29,148	21,635	7,513	(2,050)
Parcel sales	7,649	5,332	2,317	4,125	2,517	1,608	709
Total	\$ 33,897	\$ 26,117	\$ 7,780	\$ 33,273	\$ 24,152	\$ 9,121	\$ (1,341)

The number of lots sold in 2000 decreased by 8%. The volume analysis and backlog of sales (lots under option) at year-end was as follows:

	2000			1999			Change	
	Sold	Average Selling Price	Under Option at Year-end	Sold	Average Selling Price	Under Option at Year-end	Sold	Under Option
Single family lots:								
Saskatoon	87	\$ 31,673	29	128	\$ 35,618	14	(41)	15
Regina	156	30,068	32	147	31,728	34	9	(2)
Edmonton	205	46,798	—	192	44,172	54	13	(54)
Calgary	122	75,478	—	152	75,293	—	(30)	
Total single family lots	570	\$ 46,049	61	619	\$ 47,090	102	(49)	(41)
Parcel sales (acres)	87	\$ 87,838	11	88	\$ 43,976	14	(1)	(3)

## Management's discussion and analysis

Lot sales volume in Saskatoon decreased as a result of a weaker new home construction market that encouraged builder customers to reduce their lot inventory levels. The increase in the number of lots sold in Regina reflected a continuation of effective marketing efforts directed at third-party builders we initiated in 1999. Sales volume in Edmonton continued to be strong as a result of the introduction of our new neighbourhood in southeast Edmonton and the strength of the northern Alberta oil services industry. The sales volume in Calgary settled back from its 1999 peak as we near completion of the final phases of the 88-acre Springside community.

During 2000, the Company's activities included the sale of 570 lots and development of 488 lots. The continuity of the lot inventory is summarized as follows:

	Lot Inventory at December 31, 1999	Lots Developed in 2000	Lots Sold in 2000	Lot Inventory at December 31, 2000
Saskatoon	195	3	87	111
Regina	155	142	156	141
Edmonton	141	199	205	135
Calgary	27	144	122	49
<b>Total</b>	<b>518</b>	<b>488</b>	<b>570</b>	<b>436</b>

### Housing and Condominiums

The Company's single family home building activities are centred primarily in Saskatoon and Regina. An important part of the mandate of the housing operation is to facilitate the sale of lots developed by the land division through its marketing efforts for the Company's communities. The housing operation also constructs new homes on land developed by third parties in order to enhance its sales volume and general market presence. Likewise, the land operation sells a large number of developed lots to third parties and is reliant on the housing operation only inasmuch as new home marketing creates a more desirable profile for our communities.

The Company is active in the development of new condominium projects in Toronto, Saskatoon and Beaver Creek in Colorado.

The following table summarizes the operating performance of the housing and condominium construction activities during the past two years:

	2000						
	Gross Revenue	Cost of Sales	Contribution from Operations	Revenue	Sales	Operations	Change
Saskatoon	\$ 9,572	\$ 9,818	\$ (246)	\$ 8,967	\$ 9,113	\$ (146)	\$ (100)
Regina	8,311	8,674	(363)	6,832	7,248	(416)	53
Beaver Creek	4,965	4,305	660	16,853	14,267	2,586	(1,926)
Toronto	9,157	9,411	(254)	4,997	4,743	254	(508)
<b>Total</b>	<b>\$ 32,005</b>	<b>\$ 32,208</b>	<b>\$ (203)</b>	<b>\$ 37,649</b>	<b>\$ 35,371</b>	<b>\$ 2,278</b>	<b>\$ (2,481)</b>

## Management's discussion and analysis

The volume of homes sold and occupied during the year and the backlog of uncompleted agreements (pre-sold units under construction) at year-end was as follows:

	2000				1999			
	Number of Units Sold	Average Selling Price	Inventory at Year-end	Uncompleted Pre-sold Units at Year-end	Number of Units Sold	Average Selling Price	Inventory at Year-end	Uncompleted Pre-sold Units at Year-end
Saskatoon	58	\$ 183,922	17	8	59	\$ 179,473	14	17
Regina	63	156,483	15	17	56	148,065	12	16
Beaver Creek	7	709,196	3	14	25	667,914	7	
Toronto	58	157,883	1	141	–	–	–	169
<b>Total</b>	<b>186</b>	<b>\$ 186,277</b>	<b>36</b>	<b>180</b>	<b>140</b>	<b>\$ 254,131</b>	<b>33</b>	<b>202</b>

Saskatoon housing sales volume declined by one unit in 2000, while the average selling price increased by 2%. The overall contribution was affected by the decline in volume as well as increased margin pressures resulting from weaker new home market conditions. In Regina, sales volume increased by seven units, while the average selling price increased by 6%. This resulted in an overall improvement in the contribution for 2000. Both of these housing operations continue to be instrumental in facilitating lot sales for their respective land divisions.

The seven units sold in Colorado in 2000 represent sales carried over from the condominium projects constructed in 1998 and 1999. Sales of the 16-unit project currently under construction will be recognized in 2001.

In Toronto, the Camden Lofts project was completed. Pre-sales are progressing steadily at Pantages Tower in downtown Toronto, exceeding 85% at year-end. Once the residential component of Pantages Tower is completed, the Company will be discontinuing condominium development in that market.

#### Property Management

The Company's property management revenue consists of management fees, leasing and construction fees, real estate advisory fees and land development management fees earned from third-party property owners. The following table summarizes the contribution from operations for these activities:

	2000			1999		
	Gross Revenue	Costs	Contribution from Operations	Gross Revenue	Costs	Contribution from Operations
<b>Property management</b>	<b>\$ 7,348</b>	<b>\$ 3,527</b>	<b>\$ 3,821</b>	<b>\$ 7,413</b>	<b>\$ 7,149</b>	<b>\$ 264</b>

Gross revenue growth from property management was relatively flat in 2000; however, costs declined by 51%. The costs allocated to the management, leasing and commercial fee business consist of property management expenditures associated with all personnel and facilities involved in the provision of such services. The Company charges market rate fees for management services provided to its owned properties, which are allocated as an operating expense to individual properties. This fee revenue is then deducted from the property management costs to arrive at the net costs associated with third-party management. There are three primary reasons for the year-over-year decline in costs in 2000: staff reductions initiated in late 1999, the acquisition of a large portfolio in Montréal in 1999 that absorbed additional costs and the allocation of additional overhead costs to recoverable revenue property operating expenses.

## Management's discussion and analysis

### Interest and Other Income

Interest and other income consists of interest earned on surplus cash and interest bearing amounts receivable that the Company may have from time to time, as well as the return received on various portfolio investments. For the years ended December 31, 2000 and 1999, interest and other income consisted of:

	2000	1999
Interest income	\$ 1,384	\$ 1,824
Distributions from Residential Equities REIT	3,270	2,986
<b>Interest and other income</b>	<b>\$ 4,654</b>	<b>\$ 4,810</b>

The increase in distributions from Residential Equities REIT in 2000 was offset by a reduction in interest income from other sources.

### Interest Expense

The interest expense reflected in the net income of the Company was as follows:

	2000	1999
Interest expense incurred at stated rate of debt	\$ 44,083	\$ 37,941
Marked to market adjustment to rate	(2,887)	(2,792)
Interest capitalized	(3,412)	—
<b>Interest expense</b>	<b>\$ 37,784</b>	<b>\$ 31,653</b>

Certain debt assumed as part of acquisitions in prior years was adjusted to fair value using market interest rates at the time of the acquisitions ("marked to market"). This marked to market adjustment is amortized to interest expense and to principal repayments over the remaining life of the initial term of the debt.

Interest is capitalized to land, housing under development and revenue properties under development. The capitalized interest to land and housing flows through cost of sales as developed units are sold.

The amount of capitalized interest included in the assets of the Company was \$6,517 at December 31, 2000, up from \$4,168 a year earlier. The continuity of capitalized interest was as outlined in the following table:

	Revenue Properties	Land	Housing and Condominiums	Total
Capitalized interest in assets at December 31, 1999	\$ 1,660	\$ 854	\$ 1,654	\$ 4,168
Interest capitalized in 2000	822	1,110	1,480	3,412
Capitalized interest expensed to cost of sales during 2000	—	(478)	(585)	(1,063)
<b>Capitalized interest in assets at December 31, 2000</b>	<b>\$ 2,482</b>	<b>\$ 1,486</b>	<b>\$ 2,549</b>	<b>\$ 6,517</b>

The interest capitalized to revenue properties includes \$642 in respect of the redevelopment of State Street Financial Centre (formerly 30 Adelaide East), Toronto, and \$180 in respect of the redevelopment of Westmount Centre, Edmonton.

The interest capitalized to housing condominium projects includes \$840 to Pantages Tower, Toronto, \$90 to Pinecone Lodge, Beaver Creek, and \$90 to Settler's Lodge, Beaver Creek.

## Management's discussion and analysis

## Current Income and Large Corporations Taxes

The Company was subject to large corporations taxes in Canada, corporate minimum tax in Ontario and income tax in the United States during 2000. The Company was not subject to income tax in Canada for the year, due to the application of loss carryforwards and other deductions.

Current income and large corporations taxes expense for the last two years was as follows:

	2000	1999
Income tax (United States)	\$ 372	\$ 1,004
Large corporations taxes	1,763	1,851
Corporate minimum tax	864	565
<b>Current income and large corporations taxes</b>	<b>\$ 2,999</b>	<b>\$ 3,420</b>

## Future Income Tax

In accordance with Canadian generally accepted accounting principles ("GAAP"), the Company changed from the deferral method of accounting for income taxes to the liability method on a retroactive basis. Under the liability method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying values and tax bases of assets and liabilities.

As a consequence of adopting the liability method of accounting for income taxes, the Company's future income tax liability increased from \$12,451 to \$35,731 as at January 1, 2000 and from \$158 to \$22,659 as at January 1, 1999. This increase in the Company's future income tax liability is attributable primarily to differences between the financial statement carrying values and the tax bases of assets acquired through acquisitions.

Consistent with the liability method of accounting for income taxes, the Company has measured its future tax liability based on future income tax rates that are expected to apply when the liability is settled. Due to various federal and provincial income tax rate reductions that were introduced during the year, and that apply to future years, the income tax rates used to measure the future income tax liability of the Company as at December 31, 2000 were lower than those used to measure the Company's future income tax liability on January 1, 2000, when the liability method was initially adopted. In accordance with Canadian GAAP, the change in the future income tax liability balance recognized as a result of these rate reductions has resulted in a decrease in the future income tax expense for the year in the amount of \$8,139.

The impact of reductions in expected future income tax rates on future income tax expense was as follows:

	2000	1999
Future income tax expense based on temporary differences arising (or reversing) during the year	\$ 8,933	\$ 13,300
Impact of reduction in future income tax rates used to measure future income tax liabilities as at December 31, 2000	(8,139)	
<b>Future income tax expense</b>	<b>\$ 794</b>	<b>\$ 13,300</b>

The change from the deferral method to the liability method of accounting for income taxes has not had an impact on funds from operations.

## Management's discussion and analysis

## Financial Condition

## Overview of Assets

The composition of the Company's operations remained constant from 1999 to 2000, with revenue properties representing 89% of total assets at December 31, 2000.

The following table illustrates the geographic exposure of the Company's real estate assets, which are concentrated in the strongest real estate markets of Canada. The stated goal of the Company is to eliminate its commercial revenue properties investment in the United States and redeploy these funds into Canadian office and industrial properties.

	2000						
	Revenue Properties	Land	Housing and Condominiums	Total	%	Total	
Québec	\$ 159,113	\$ 6,534	\$ –	\$ 165,647	17	\$ 164,783	
Ontario	335,458	8,308	14,031	357,797	37	366,190	
Western Canada	277,336	59,221	6,262	342,819	35	346,768	
Total Canada	771,907	74,063	20,293	866,263	89	877,741	90
United States	95,811	2,822	13,735	112,368	11	99,011	11
Total at December 31, 2000	\$ 867,718	\$ 76,885	\$ 34,028	\$ 978,631	100	\$ 976,752	100
Percentage	89%	8%	3%	100%			
Total at December 31, 1999	\$ 877,523	\$ 70,432	\$ 28,797	\$ 976,752			
Percentage	90%	7%	3%	100%			

## Revenue Properties

At December 31, 2000, the book value of revenue properties by segment was geographically dispersed as follows:

	2000						
	Office	Industrial	Retail	Other	Total	%	
Québec	\$ 53,709	\$ 103,760	\$ 1,644	\$ –	\$ 159,113	18	\$ 158,456 18
Ontario	244,596	57,757	27,430	5,675	335,458	39	339,890 39
Western Canada	88,289	98,754	85,636	4,657	277,336	32	287,310
Total Canada	386,594	260,271	114,710	10,332	771,907	89	785,656
United States	3,393	–	86,482	5,936	95,811	11	91,867
Total at December 31, 2000	\$ 389,987	\$ 260,271	\$ 201,192	\$ 16,268	\$ 867,718	100	\$ 877,523 100
Percentage	45%	30%	23%	2%	100%		
Total at December 31, 1999	\$ 380,130	\$ 267,142	\$ 214,355	\$ 15,896	\$ 877,523		
Percentage	43%	31%	24%	2%	100%		

The increase in the book value of the office portfolio was primarily a result of the ongoing development of State Street Financial Centre during the year. The book value of the industrial portfolio decreased due to the sale of two non-core properties and the book value of the retail portfolio declined as a result of the sale of properties and a provision for diminution in value. Overall, the proportionate book value of our core portfolio of office and industrial properties has increased to 75% of revenue properties from 74% in 1999 and 66% in 1998.

## Management's discussion and analysis

## Net Property Investment Activities Before Financing

	Office	Industrial	Retail	Other	Total
Revenue properties under development	\$ 10,966	\$ –	\$ 1,274	\$ –	\$ 12,240
Deferred leasing costs	4,413	1,828	669	–	6,910
Building improvements	1,771	348	1,012	964	4,095
Dispositions	(4,000)	(6,176)	(4,573)	(745)	(15,494)
<b>Total</b>	<b>\$ 13,150</b>	<b>\$ (4,000)</b>	<b>\$ (1,618)</b>	<b>\$ 219</b>	<b>\$ 7,751</b>

## Loss Sale and Provision for Diminution in Value of Revenue Properties

During 2000, the Company disposed of four revenue properties and one parcel of land adjacent to an existing industrial property. In addition, the projected holding periods for five retail properties were reassessed and, as a result, provisions for diminution in values were recorded against these assets. This is summarized as follows:

	Proportionate Gross Leasable Area or Land Area	Net Proceeds	Repayment of Mortgage or Term Debt	Loss on Sale and Provision for Diminution in Value
Office	186,553 sq. ft.	\$ 4,000	\$ (3,080)	\$ 382
Industrial	245,307 sq. ft.	6,176	(4,680)	(469)
Retail	69,881 sq. ft.	4,573	(4,541)	(349)
Other	2.2 acres	745	–	63
Provisions for diminution in value of retail properties	755,328 sq. ft.	–	–	(12,790)
<b>Total</b>		<b>\$ 15,494</b>	<b>\$ (12,301)</b>	<b>\$ (13,163)</b>

## Land

The investment in, and location of, the land assets of the Company at December 31, 2000 and 1999 were as follows:

	2000				1999	
	Land Under Development	Land Held for Development	Total	%	Total	
Saskatoon	\$ 2,135	\$ 9,752	\$ 11,887	16	\$ 5,866	8
Regina	2,937	4,945	7,882	10	8,549	12
Calgary	2,314	9,419	11,733	15	12,202	17
Edmonton	8,249	19,414	27,663	36	26,857	38
Toronto	–	8,308	8,308	11	7,925	11
Other	56	9,356	9,412	12	9,033	13
<b>Total December 31, 2000</b>	<b>\$ 15,691</b>	<b>\$ 61,194</b>	<b>\$ 76,885</b>	<b>100</b>	<b>\$ 70,432</b>	<b>100</b>
Percentage	20%	80%	100%			
<b>Total December 31, 1999</b>	<b>\$ 12,515</b>	<b>\$ 57,917</b>	<b>\$ 70,432</b>			
Percentage	18%	82%	100%			

The investment in land under development and land held for future development increased in 2000 as a result of the purchase of 667 acres in Saskatoon. Development of this land is expected to commence within the next three years.

## Management's discussion and analysis

In addition, the Company held the following land for future development at year-end:

	Land Held for Development (in acres)	
	2000	1999
Saskatoon	1,273	62
Regina	779	806
Edmonton	832	925
Calgary	377	404
Toronto	30	30
Other	278	278
<b>Total</b>	<b>3,569</b>	<b>3,066</b>

### Housing and Condominiums

The housing and condominium assets of the Company at December 31, 2000 consisted of:

	2000				1999	
	Construction in Progress	Lots Held for Future Development	Total	%	Total	
Saskatoon	\$ 2,766	\$ 732	\$ 3,498	10	\$ 3,894	14
Regina	2,764	—	2,764	8	2,090	—
Beaver Creek	13,735	—	13,735	41	4,438	1
Toronto	14,031	—	14,031	41	18,375	64
<b>Total December 31, 2000</b>	<b>\$ 33,296</b>	<b>732</b>	<b>\$ 34,028</b>	<b>100</b>	<b>\$ 28,797</b>	<b>100</b>
Percentage	98%	2%	100%			
Total December 31, 1999	\$ 27,614	\$ 1,183	\$ 28,797			
Percentage	96%	4%	100%			

The largest components of the housing and condominium assets are located in Beaver Creek (Settler's Lodge) and Toronto (the Company's joint venture interest in the Pantages Tower development). Settler's Lodge will be completed in 2001 and Pantages Tower in 2003.

### Portfolio Investments

At year-end, the portfolio investments held by the Company consisted of:

	2000	1999
Investment in Residential Equities REIT	\$ 32,375	\$ 32,375
Other	1,527	701
<b>Total</b>	<b>\$ 33,902</b>	<b>\$ 33,076</b>

The Company's holdings in Residential Equities REIT totalled 3,264,300 units, or 15.1% of the total outstanding units, at December 31, 2000.

## Management's discussion and analysis

## Overview of Liabilities and Equity

The Company's balance sheets at December 31, 2000 and 1999 reflected the following debt and equity structure:

	2000		1999		Change	
	Total	%	Total	%	Amount	%
Debt	\$ 549,456	50	\$ 556,293	50	\$ (6,837)	(1)
Future income tax liability	37,306	3	35,731	3	1,575	4
Amounts payable and accrued liabilities	56,766	5	51,125	5	5,641	11
Total liabilities	643,528	58	643,149	58	379	Nil
Shareholders' equity	464,434	42	464,777	42	(343)	Nil
Total	\$ 1,107,962	100	\$ 1,107,926	100	\$ 36	Nil

The assets and liabilities components of the balance sheets remained relatively constant year-over-year, although debt did decline by \$6,837. The Company reduced its capital base through the repurchase of shares, which was essentially offset by net income for the year. Consequently, the ratio of debt to equity remained constant at approximately 1.18:1.00.

## Debt

The outstanding debt of the Company at year-end was as follows:

	2000			1999		
	Fixed	Floating	Total	Fixed	Floating	Total
Mortgages payable	\$ 384,531	\$ 15,830	\$ 400,361	\$ 388,478	\$ 12,796	\$ 401,274
Term debt and bank loans	66,395	50,547	116,942	68,104	60,999	129,103
Land mortgages and housing advances	7,281	24,872	32,153	9,684	16,232	25,916
Total	\$ 458,207	\$ 91,249	\$ 549,456	\$ 466,266	\$ 90,027	\$ 556,293
Percentage	83%	17%	100%	84%	16%	100%

The outstanding debt of the Company decreased during the year. The changes in debt levels during 2000 were a result of the following items:

	Mortgages Payable	Term Debt and Bank Loans	Land Mortgages and Housing Advances	Total
Debt as at December 31, 1999	\$ 401,274	\$ 129,103	\$ 25,916	\$ 556,293
Acquisitions	—	—	—	—
New debt placed	22,474	155,682	23,048	201,204
Repayments of debt	(25,003)	(167,882)	(17,000)	(209,885)
Accrued interest	(391)	27	211	(153)
Foreign exchange adjustment	2,007	12	(22)	1,997
Debt as at December 31, 2000	\$ 400,361	\$ 116,942	\$ 32,153	\$ 549,456

Variable interest rate debt increased marginally to 17% from 16% of the Company's total debt, or \$1,222. The Company continues to maintain its strategy of fixing as high a proportion of its debt as possible to protect against interest rate volatility.

The weighted average interest rate is 8.40% (1999 – 7.89%) for the variable rate debt and 7.16% (1999 – 7.35%) for the fixed rate debt. In total, the weighted average interest rate of the Company's debt is 7.37%, down from 7.44% at the end of 1999. These weighted average interest rates incorporate the marked to market adjustment discussed earlier. Without the marked to market adjustment, the overall weighted average interest rate is 7.96% for 2000, as compared to 7.77% for 1999.

## Management's discussion and analysis

The debt maturity and scheduled principal repayments in future years are as follows:

	Debt Maturities		Scheduled Principal Repayments on Non-matured Debt	
	Amount	%	Amount	Total
2001	\$ 173,998	36	\$ 14,592	\$ 188,590
2002	70,027	14	9,334	79,361
2003	54,905	11	7,412	62,317
2004	60,204	12	6,512	66,716
2005 and thereafter	128,504	27	23,968	152,472
<b>Total</b>	<b>\$ 487,638</b>	<b>100</b>	<b>\$ 61,818</b>	<b>\$ 549,456</b>

Included in the debt maturities in 2001 are \$7,497 of land and housing demand loans that are secured by land and housing inventory, \$28,752 of bank loans that are payable on demand and \$87,335 of term debt.

### Shareholders' Equity

The changes during 2000 in the Company's common shares outstanding can be summarized as follows:

	Common Shares Outstanding
Outstanding at December 31, 1999	174,020,192
Loan settlement for shares	(200,000)
Acquired and cancelled under normal course issuer bids	(13,285,900)
<b>Outstanding at December 31, 2000</b>	<b>160,534,292</b>

The Company had 12,216,800 stock options outstanding at December 31, 2000. An analysis of the option expiry dates is provided in Note 9 to the consolidated financial statements.

The Company's shareholders' equity included \$53,134 in contributed surplus. This amount resulted from the repurchase and cancellation of the 41,382,204 common shares since 1998. Since our first normal course issuer bid in 1998, the Company has repurchased approximately 21% of the common shares outstanding. The contributed surplus represents the aggregate of the difference between the amount at which any given common share was repurchased and the average book value of existing common shares at the date of repurchase.

### Recurring Capital Expenditures and Tenant Inducements

Recurring capital expenditures for revenue property building improvements totalled \$4,095 in 2000 and are expected to be of a similar order of magnitude in 2001. The Company constantly monitors the revenue properties to ensure that they are maintained at the highest quality, as well as to ensure the retention of existing tenants and the attraction of new tenants. If the Company requires capital in addition to that already committed to maintain its assets, this capital will be provided by funds from operations.

During 2000, the Company expended \$6,910 on inducements to attract or retain tenants. Such tenant inducements vary from year to year depending on the maturity of leases, availability of vacant space and competition in the market for tenants. The capital required to fund tenant inducements will be provided by funds from operations.

### Liquidity and Capital Structure

The nature of the real estate business is such that the Company requires capital to fund non-discretionary expenditures with respect to existing assets as well as growth through acquisitions and developments.

For the year ended December 31, 2000, the Company generated \$43,517 of funds from operations (\$41,564 – 1999) and ended the year with \$13,566 in cash and cash equivalents.

## Management's discussion and analysis

The Company intends to meet its short-term liquidity requirements through funds from operations, working capital reserves and operating debt facilities. The Company anticipates that revenues will continue to provide the cash necessary to fund its operating expenses and debt service requirements. Funds from operations, together with cash on hand and operating debt facilities, will be sufficient to fund those recurring capital expenditures that are not recoverable from tenants and tenant inducements.

Capital for acquisitions, developments or redevelopments and share repurchases has been, and is expected to continue to be, obtained from equity or debt financing as well as funds from operations. Capital will also be generated by dispositions as the Company repositions the portfolio in a manner consistent with its stated strategy.

The Company's objective is to maintain a conservative level of debt while ensuring that sufficient capital is available to execute its business plan at all times. The Company had a debt-to-equity ratio of 1.18:1.00 at December 31, 2000. The current interest rates for long-term mortgages still provide the Company with an opportunity to lock in the positive spread between the capitalization rate implicit in property valuations and prevailing interest rates.

At the end of 2000, Dundee Realty had operating debt facilities in the amount of \$41,000, of which \$12,248 was undrawn. The Company believes that arrangements will be made to refinance existing debt as it matures.

## Risk Management

### Real Property Development and Ownership

Real estate development and investment are generally subject to varying degrees of risk, depending on the nature of the property. Such risk includes changes in general economic conditions, local conditions, the attractiveness of properties to potential tenants or purchasers, competition from others with available space and the ability of the owner to economically provide adequate maintenance. The real estate industry is capital intensive and therefore sensitive to interest rates and availability of capital.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and other charges, must be made regardless of whether or not a property is producing sufficient income to service such cost. If the Company is unable to meet mortgage payments on any property, losses could be sustained as a result of a mortgagee's exercise of its rights of foreclosure or sale. It is Dundee Realty's intention to maintain as much of its debt as possible as non-recourse to the Company.

### Illiquidity

Real estate is relatively illiquid. Such illiquidity will tend to limit the ability of the Company to vary its portfolio promptly in response to changing economic or investment conditions. In recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable, and a holder of real estate during a recessionary period may be faced with ongoing expenditures with declining prospect of incoming receipts. Without adequate cash reserves, it may be necessary for the holder to dispose of properties below market prices. The current market for real estate assets is reasonably active, with both large portfolios and individual properties trading on a regular basis.

### Construction Risk

The Company may choose not to develop land holdings it may have at any time due to, among other reasons, market conditions or the inability to raise the necessary funding for construction. If the Company continues or proceeds with development of a land holding, properties under construction, or those that are to be constructed, it will be subject to risks. Such risks include lack of funding, variability in construction costs or unforeseeable delays and the failure of tenants to occupy and pay rent in accordance with existing lease agreements.

### Financing

The Company may require additional financing in order to grow and expand its operations. It is possible that such financing will be unavailable or, if available, on unfavourable terms. In addition, upon the expiry of the term of the financing or

## Management's discussion and analysis

refinancing of any particular property or operating debt facility, refinancing may not be available in the amounts required, or may be available only on terms less favourable to the Company than existing financing. Future financing may take many forms, including debt or equity financing which could alter the current debt-to-equity ratio or which could be dilutive to the shareholders of the Company. It is the Company's intent to reduce the interest rate risk associated with refinancing by ensuring that debt maturities are staggered over several years, with limited exposure in any given year.

### Environmental Matters

As an owner and manager of real property, the Company is subject to various federal, provincial and state laws relating to environmental matters. Such laws provide that the Company could be liable for the costs of removal and remediation of certain hazardous toxic substances released on or in its properties, or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the ability to sell such real estate or to borrow using such real estate as collateral and potentially could also result in claims against the Company. In order to obtain financing for the purchase of a new property through traditional channels, the Company must normally arrange for an environmental audit to be conducted. Although such an audit provides both the Company and its lenders with some assurance, the Company may become subject to liability for undetected pollution or other environmental hazards on its properties against which it cannot insure, or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of relative risk.

The Company has formal policies and procedures to review and monitor environmental exposure. These policies include the requirement to obtain a Phase I Environmental Site Assessment, conducted by an independent and qualified environmental consultant, before acquiring any real property or any interest therein.

### Property or Asset Management Agreements

The property or asset management agreements of the Company may be terminated in accordance with the provisions of such agreements and it is possible that they may not be renewed upon expiry. The potential for the termination of such property or asset management agreements is mitigated by a number of factors. The Company has an interest, as partial owner or mortgagee, in the majority of the properties it manages, therefore the related agreements are less likely to be terminated. Management of the Company endeavours to negotiate all agreements with long terms and automatic renewal options where possible, and minimize the number of properties that are managed under contract for third parties.

### Foreign Exchange Fluctuation

The Company maintains its accounts in Canadian currency. Certain of the properties of the Company are located in the United States. Accordingly, the Company will be subject to foreign currency fluctuations which may, from time to time, impact its financial position and results. However, the Company mitigates any such risk by matching revenue earned from properties located in the United States against U.S. liabilities in respect of such properties.

## Conclusions and Outlook

We have established a solid financial foundation, assembled an excellent portfolio of office and industrial properties in key cities across Canada, and built a strong organization and operating platform. The Company will continue to grow its core office and industrial portfolio and reduce the number of retail and U.S. properties. Occupancy of State Street Financial Centre will begin in 2001. Over the next few years, we will realize on our investment in our Toronto residential lands and our expanded land development operations in Calgary. We will continue to seek out opportunities that provide desirable returns from the investment of our financial and human capital and that will increase value for our stakeholders.

The improvements that we have made and the success we have achieved are due to the dedication and commitment of our Board of Directors, the support of our business partners and tenants and the motivation and diligence of our employees. We thank each of them for their support and look forward to building future value together.

## Management's responsibility for financial statements and auditors' report

### Management's Responsibility for Financial Statements

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dundee Realty. These financial statements have been prepared in accordance with Canadian GAAP, using management's best estimates and judgments when appropriate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The audit committee, which is comprised of directors, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditors. The audit committee reports its findings to the Board of Directors, which approves the consolidated financial statements.

Arthur Andersen LLP, the independent auditors, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditors have full and unrestricted access to the audit committee, with or without management present.



Michael J. Cooper  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER



Jeff B. Barnes  
EXECUTIVE VICE-PRESIDENT AND  
CHIEF FINANCIAL OFFICER

Toronto, Ontario  
March 30, 2001

### Auditors' Report

To the Shareholders of Dundee Realty Corporation:

We have audited the consolidated balance sheets of Dundee Realty Corporation as at December 31, 2000 and 1999 and the related consolidated statements of earnings, retained earnings, funds from operations and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations, funds from operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Toronto, Ontario  
March 2, 2001

## Consolidated financial statements

## Consolidated Balance Sheets

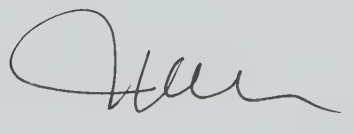
As at December 31  
(in thousands of dollars)

	Note	2000	1999
<b>Assets</b>			
Revenue properties	2	\$ 867,718	\$ 87
Land	3	76,885	70,43
Housing and condominiums		34,028	28,79
Amounts receivable and other assets	4	81,863	91,72
Portfolio investments	5	33,902	33,08
Cash and short-term deposits		13,566	6
		<b>\$ 1,107,962</b>	<b>\$ 1,107,9</b>
<b>Liabilities</b>			
Debt	6	\$ 549,456	
Amounts payable and accrued liabilities	7	56,766	
Future income tax liability	13	37,306	35,7
		<b>643,528</b>	<b>64</b>
<b>Shareholders' equity</b>	8	<b>464,434</b>	<b>464,</b>
		<b>\$ 1,107,962</b>	<b>\$ 1,107,92</b>

On behalf of the Board:



Michael J. Cooper  
DIRECTOR



Ned Goodman  
CHAIRMAN

## Consolidated financial statements

## Consolidated Statements of Earnings

For the Years Ended December 31

(in thousands of dollars, except per share amounts)

	Note	2000	1999
<b>Revenue</b>			
Revenue properties		\$ 156,145	\$ 144,221
Land		33,897	33,273
Housing and condominiums		32,005	37,649
Property management		7,348	7,413
Interest and other income		4,654	4,810
		234,049	227,370
<b>Operating expenses</b>			
Revenue properties		81,440	77,005
Land		26,117	24,152
Housing and condominiums		32,208	35,371
Property management		3,527	7,149
		143,292	143,677
<b>Contribution from operations</b>		90,757	83,693
<b>Other expenses</b>			
Interest	11	37,784	31,653
Depreciation and amortization		14,299	10,876
General and administrative		6,457	7,056
		58,540	49,585
<b>Income before the undernoted</b>		32,217	34,108
Loss on sale and provision for diminution in value of revenue properties	12	13,163	4,211
<b>Income before income and large corporations taxes</b>		19,054	29,897
Current income and large corporations taxes	13	2,999	3,420
Future income taxes	13	794	13,300
<b>Net income</b>		\$ 15,261	\$ 13,177
<b>Net income per common share</b>			
Basic	14	\$ 0.092	\$ 0.074
Diluted	14	\$ 0.091	\$ 0.072

## Consolidated Statements of Retained Earnings

For the Years Ended December 31

(in thousands of dollars)

	Note	2000	1999
<b>Retained earnings, beginning of year as originally reported</b>		\$ 40,520	\$ 27,129
Impact of retroactive adoption of CICA recommendation for income taxes	13	(27,988)	(27,774)
<b>Retained earnings, beginning of year as restated</b>		12,532	(645)
<b>Net income</b>		15,261	13,177
<b>Retained earnings, end of year</b>		\$ 27,793	\$ 12,532

## Consolidated financial statements

## Consolidated Statements of Funds from Operations

For the Years Ended December 31

(in thousands of dollars, except per share amounts)

	Note	2000	1999
Net income		\$ 15,261	\$ 13,177
Non-cash items:			
Depreciation and amortization		14,299	10,876
Loss on sale and provision for diminution in value of revenue properties		13,163	4,211
Future income taxes		794	13,300
<b>Funds from operations</b>		<b>\$ 43,517</b>	<b>\$ 41,564</b>
<b>Funds from operations per share</b>			
Basic	14	\$ 0.263	\$ 0.232
Diluted	14	\$ 0.260	\$ 0.200

## Consolidated Statements of Cash Flows

For the Years Ended December 31

(in thousands of dollars)

	Note	2000	1999
<b>Generated from operating activities</b>			
Funds from operations		\$ 43,517	\$ 41,564
Revenue properties deferred leasing costs		(6,910)	(5,135)
Development of land inventory		1,039	(1,792)
Development of housing and condominiums		(7,909)	9,378
Land mortgages and housing advances		2,164	4,264
Change in non-cash working capital items		7,951	(20,744)
		<b>39,852</b>	<b>27,535</b>
<b>Utilized in investing activities</b>			
Investment in revenue properties	2	(13,196)	(43,440)
Acquisition of land held for development	3	(3,050)	(1,449)
Proceeds from sale of revenue properties		3,033	14,630
Portfolio investments		(822)	(10,466)
		<b>(14,035)</b>	<b>(40,725)</b>
<b>Utilized in financing activities</b>			
Mortgage financing		(4,099)	1,301
Term debt and bank loans		1,726	11,443
Common shares acquired	8	(16,245)	(22,394)
Restricted cash		(4,348)	619
		<b>(22,966)</b>	<b>(8,971)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>2,851</b>	<b>(22,169)</b>
Cash and cash equivalents, beginning of year		2,268	24,437
Cash and cash equivalents, end of year		5,119	2,268
Restricted cash		8,447	4,099
<b>Cash and short-term deposits</b>		<b>\$ 13,566</b>	<b>\$ 6,367</b>

## Notes to the consolidated financial statements

(All dollar amounts in thousands, except per share amounts)

### I. Summary of Significant Accounting Policies

#### Description of Business

Dundee Realty Corporation ("the Company") is a diversified public real estate company engaged primarily in the ownership, development and management of commercial revenue properties in Canada and, to a lesser degree, land and housing development in Canada and the United States. The Company's common shares are listed under the symbol "D" on the Toronto Stock Exchange.

These consolidated financial statements are prepared in accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants ("CICA") and are substantially in accordance with the practices recommended by the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC").

#### Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries, together with the Company's proportionate share of the assets, liabilities, revenues and expenses of joint ventures in which it participates. Long-term investments, including portfolio investments, are carried at cost or at cost less amounts written off to reflect declines in value that are other than temporary.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

#### Revenue Recognition

**Revenue properties** – Revenue properties are considered operational at the earlier of the achievement of a predetermined level of occupancy or at the expiry of a reasonable period following substantial completion.

**Land** – Revenue from the sale of developed sites and land sold to third parties is recognized at the time the agreement of purchase and sale is executed and unconditional, at least 15% of the sale proceeds has been received and the collectability of the remaining proceeds is reasonably assured.

**Housing and condominiums** – Revenue is recognized when ownership has been transferred to the purchaser and collectability of the proceeds is assured.

#### Revenue Properties

Revenue properties are stated at the lower of cost, less accumulated depreciation and the net recoverable amount. Revenue properties under development include interest on project-specific and general debt, property taxes, carrying charges and applicable general and administrative expenses incurred in the pre-development and construction periods, and initial leasing costs, less revenues earned prior to the project being declared operational. The net recoverable amount represents the undiscounted estimated future cash flow expected to be received from the ongoing use of the property combined with its estimated residual value.

Buildings and improvements are depreciated using the sinking fund method. Under this method, an amount, which increases at 5% per annum, is charged to income so as to fully depreciate the buildings and improvements over their estimated useful lives of 40 years. Leasehold improvements and tenant inducements, other than initial leasing costs, are depreciated on a straight-line basis over the term of the applicable lease. Pavement, ski area infrastructure, equipment and vehicles are depreciated on the declining balance basis over their estimated useful lives at 8% to 30% per annum.

#### Land, Housing and Condominium

Land, housing and condominiums are stated at the lower of cost and net realizable value.

**Land** – Land under development includes all related development costs, interest on property-specific and general debt, property taxes and applicable general and administrative expenses incurred during construction, less miscellaneous revenue earned during the construction period. Land held for development includes acquisition costs, pre-development costs, interest on specific debt and property taxes, less miscellaneous revenue earned. Interest on general debt and general and administrative expenses are not capitalized to land held for development. Land held for development is transferred to land under development when a subdivision or phase is commenced.

## Notes to the consolidated financial statements

**Housing and Condominiums** – This consists of housing and condominiums under construction, completed and held for sale, and severed lots acquired from third parties held for development. Costs of these inventories include all related development costs, interest on project-specific and general debt, property taxes and applicable general and administrative expenses incurred during construction, less miscellaneous revenue earned during the construction period.

### Foreign Currency Translation

The Company's foreign operations are financially self-sustaining. Accordingly, assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the average rate for the period. Translation gains and losses are deferred as a separate component of shareholders' equity until there has been a realized reduction in the underlying investment.

### Foreign Currency Transactions

Assets and liabilities to be settled in foreign currencies, which are not held in foreign self-sustaining operations, are translated into Canadian dollars using the year-end rate of exchange. Gains and losses are included in the consolidated statements of earnings.

### Deferred Expenses

Deferred expenses may include:

- Debt issue expenses that are amortized over the term of the debt;
- Investigative and pre-development expenditures, which can include an allocation of general and administrative expenses incurred on specific potential projects. These costs are deferred until the project is either abandoned, at which time the costs are written off, or until the project proceeds to the construction stage, at which time the costs are capitalized to the project;
- Direct acquisition costs, which exclude general and administrative costs, are deferred until the acquisition is completed and the costs are capitalized to the acquisition, or the acquisition is abandoned, at which time the costs are written off; and
- Recoverable operating expenses, which are amortized over the period during which they are recoverable from tenants.

### Other Equipment

Other equipment consists of office premise improvements, furniture, computer equipment and vehicles and are depreciated on the declining balance basis over their estimated useful lives at 20% to 30% per annum.

### Goodwill

Goodwill is recorded at cost, less accumulated amortization, and represents the excess of the purchase price over the fair value assigned to the identifiable tangible net assets acquired. Goodwill is amortized on a straight-line basis over 10 years. The Company evaluates the carrying value of goodwill for permanent impairment on an ongoing basis and assesses the recoverability of this amount based on a review of future contribution from operations on a non-discounted basis.

### Income Taxes

On January 1, 2000, the Company adopted the recommendations of Section 3465 of the CICA Handbook ("Section 3465"). Adoption of these recommendations requires a change from the deferral method of accounting for income tax to the liability method. The Company has applied the recommendations of Section 3465 and accordingly, prior period financial statements, presented for comparative purposes, have been restated as disclosed in Note 13.

### Consolidated Statements of Funds from Operations

Funds from operations are calculated in conformance with CIPPREC and are considered to be a meaningful and useful measure of real estate operating performance. Funds from operations does not represent cash flow from operations as defined by Canadian GAAP. This measure is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to cash flow as a measure of liquidity.

Funds from operations include imputed non-cash free rents totalling \$476 for the year ended December 31, 2000 (1999 – \$1,359).

## Notes to the consolidated financial statements

## Consolidated Statements of Cash Flows

For the purposes of the consolidated statements of cash flows, the Company considers all short-term investments with maturity of three months or less to be cash equivalents and excludes cash subject to restrictions that prevent its use for current purposes.

## Share-Based Compensation Plans

The Company has three share-based compensation plans that are described in Note 9. No compensation expense is recognized for these plans when stock or stock options are issued to employees or directors. Any consideration paid by employees or directors on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees or directors, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings.

## 2. Revenue Properties

	2000	1999
Land	\$ 154,964	\$ 157,250
Building and building improvements	690,640	708,683
Equipment	5,069	4,114
Deferred leasing costs	20,142	13,069
Revenue properties under development	20,774	8,533
	891,589	891,649
Accumulated depreciation	(23,871)	(14,126)
<b>Total</b>	<b>\$ 867,718</b>	<b>\$ 877,523</b>

The Company's investment in revenue properties is as follows:

2000	Total Cost	Financing	Net Cash
Revenue properties under development	\$ 12,240	\$ 3,149	\$ 9,091
Building improvements	4,095	—	4,095
	\$ 16,335	\$ 3,149	\$ 13,186
Adjustment for other non-cash items			10
<b>Investment in revenue properties</b>			<b>\$ 13,196</b>

	Total Cost	Financing	Net Cash
Revenue property acquisitions	\$ 131,001	\$ 93,013	\$ 37,988
Revenue properties under development	2,120	155	1,965
Building improvements	7,532	—	7,532
	\$ 140,653	\$ 93,168	\$ 47,485
Adjustment for other non-cash items			(4,045)
<b>Investment in revenue properties</b>			<b>\$ 43,440</b>

## Notes to the consolidated financial statements

## 3. Land

	2000	1999
Land under development	\$ 15,691	\$ 12,515
Land held for development	61,194	57
<b>Total</b>	<b>\$ 76,885</b>	

Acquisitions of land held for development for the year ended December 31, 2000 have a total cost of \$6,800, and financing of \$3,750, resulting in a net cash outlay of \$3,050 (1999 – \$1,449 total cost, with no financing).

## 4. Amounts Receivable and Other Assets

	2000	1999
Amounts receivable and deposits	\$ 43,276	\$ 46,8
Loans receivable	7,981	
Prepaid and deferred expenses	10,584	
Other equipment net of accumulated depreciation of \$3,557 (1999 – \$1,713)	5,471	6,9
Goodwill net of accumulated amortization of \$5,794 (1999 – \$3,798)	14,551	
<b>Total</b>	<b>\$ 81,863</b>	

The book value of the loans receivable approximate their estimated fair value at December 31, 2000 and 1999.

## 5. Portfolio Investments

Portfolio investments have a market value of \$42,958 at December 31, 2000 (1999 – \$36,427).

## 6. Debt

	2000	1999
Mortgages payable	\$ 400,361	
Term debt and bank loans	116,942	
Land mortgages and housing advances	32,153	
<b>Total</b>	<b>\$ 549,456</b>	

## Notes to the consolidated financial statements

The weighted average interest rates at December 31 for the fixed and floating components of the debt are as follows:

Weighted Average Interest Rates					
	2000	1999	Maturity Dates	2000	1999
<b>Fixed Rate</b>					
Mortgages payable	7.25%	7.41%	2001 to 2019	\$ 384,531	\$ 388,478
Term debt	7.10%	7.02%	2001 to 2002	66,395	68,104
Land mortgages and housing advances:					
Land mortgages	2.02%	6.40%	2003 to 2017	5,270	6,980
Housing advances	6.50%	8.80%	2001 to 2002	2,011	2,704
<b>Total fixed rate</b>	<b>7.16%</b>	<b>7.35%</b>		<b>\$ 458,207</b>	<b>\$ 466,266</b>
<b>Variable Rate</b>					
Mortgages payable	9.02%	9.82%	2001 to 2002	\$ 15,830	\$ 12,796
Term debt and bank loans:					
Term debt	8.62%	7.73%	2001	21,636	45,699
Bank loans	7.69%	6.90%	2001	28,911	15,300
Land mortgages and housing advances:					
Land mortgages	8.34%	7.75%	2001 to 2002	10,525	5,114
Housing advances	8.89%	7.82%	2001 to 2002	14,347	11,118
<b>Total variable rate</b>	<b>8.40%</b>	<b>7.89%</b>		<b>\$ 91,249</b>	<b>\$ 90,027</b>
<b>Total debt</b>	<b>7.37%</b>	<b>7.44%</b>		<b>\$ 549,456</b>	<b>\$ 556,293</b>

The scheduled principal repayments and debt maturities are as follows:

2001	\$ 188,590
2002	79,361
2003	62,317
2004	66,716
2005	9,855
2006 and thereafter	142,617
<b>Total</b>	<b>\$ 549,456</b>

Mortgages are secured by first and second charges on specific revenue properties. The term loans are secured by specific revenue property and land assets. Bank loans are secured by general security agreements and specific investments. Land mortgages and housing advances are secured by first charges on specific lands and housing under development or lands held for development.

The estimated fair value of the debt is as follows:

	2000	1999
Mortgages payable	\$ 387,442	\$ 395,375
Term debt	116,942	128,097
Land mortgages and housing advances	29,486	25,157
<b>Total</b>	<b>\$ 533,870</b>	<b>\$ 548,629</b>

## Notes to the consolidated financial statements

## 7. Amounts Payable and Accrued Liabilities

	2000	1999
Trade payables	\$ 13,560	\$ 13,580
Accrued liabilities and other payables	19,478	20,406
Deposits	12,041	4,531
Deferred revenue	5,113	5,7
Cost to complete	6,574	
<b>Total</b>	<b>\$ 56,766</b>	<b>\$ 51,125</b>

## 8. Shareholders' Equity

	2000	1999
Share capital	\$ 384,154	\$ 420,948
Directors' and officers' share purchase loans	(4,220)	(4,220)
Contributed surplus	53,134	33,309
Retained earnings	27,793	
Foreign currency translation adjustment	3,573	
<b>Total</b>	<b>\$ 464,434</b>	<b>\$ 464,77</b>

## Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of common shares and preference shares issuable in series. The preference shares will have such designations, rights, privileges, restrictions and conditions as the directors of the Company may determine.

## Share Purchase Loans

Directors' and officers' share purchase loans have been deducted from shareholders' equity. These loans are non-interest bearing and are secured by 2,200,000 common shares of the Company (quoted value at December 31, 2000 of \$1.52). The loans are only repayable if the directors or officers elect to sell their common shares, or if they leave the Company.

## Share Buy Backs

During the year ended December 31, 2000, the Company purchased for cancellation 13,285,900 common shares (1999 – 16,301,505) at an average price of \$1.24 per common share (1999 – \$1.34). Acquisitions in 1999 and 2000 were made pursuant to three separate normal course issuer bids and one substantial issuer bid.

On September 11, 2000, the Company announced its intention to make its third normal course issuer bid to acquire up to 10,702,723 common shares. This normal course issuer bid will terminate on the earlier of either the date by which the maximum number of common shares has been purchased or September 12, 2001. These common shares represented approximately 10% of the public float of the Company. The bid limits the acquisitions to a maximum of 3,304,680 common shares in any rolling 30-day period. As part of this bid, the Company acquired 4,499,700 common shares during 2000 at an average price of approximately \$1.42.

The difference between the cost of shares purchased under an issuer bid and the stated capital per share at the time of purchase is recorded as contributed surplus. Subsequent to December 31, 2000, and by March 2, 2001, the Company acquired an additional 1,716,300 common shares at an average price of \$1.48.

The first and second normal course issuer bids were completed on April 12, 1999 and September 12, 2000 respectively.

In 1999, the Company and Dundee Bancorp Inc. (TSE:DBC.A, a significant shareholder of the Company) made a substantial issuer bid to purchase up to 22.5 million shares each (an aggregate maximum of 45 million common shares of the Company) at a price of \$1.40 per common share, payable in cash. The two offers were made simultaneously, ran concurrently and expired on May 26, 1999. A total of 21,663,409 common shares were tendered and were taken up by the Company and Dundee Bancorp Inc. in equal amounts.

## Notes to the consolidated financial statements

Giving effect to the above-described items, the capital structure of the Company as at December 31, 2000 and 1999 is as follows:

Common Shares					
	Shares	Amount	Associated Issue Costs	Contributed Surplus	Average Purchase Price
As at December 31, 1998	190,321,697	\$ 471,406	\$ (8,184)	\$ 13,200	
Common shares acquired and cancelled under normal course issuer bids	(5,469,800)	(14,233)	(45)	7,520	\$ 1.23
Common shares acquired and cancelled under substantial issuer bid	(10,831,705)	(27,753)	(243)	12,589	\$ 1.40
As at December 31, 1999	174,020,192	429,420	(8,472)	33,309	
Loan settlement for shares	(200,000)	(555)	–	282	\$ 1.36
Common shares acquired and cancelled under normal course issuer bids	(13,285,900)	(36,052)	(187)	19,543	\$ 1.24
As at December 31, 2000	160,534,292	\$ 392,813	\$ (8,659)	\$ 53,134	
Common shares acquired and cancelled under normal course issuer bid from January 1, 2001 until March 2, 2001	(1,716,300)	\$ (4,778)	\$ (21)	\$ 2,240	\$ 1.48
As at March 2, 2001	158,817,992	\$ 388,035	\$ (8,680)	\$ 55,374	

## 9. Share-based Compensation Plans

The Company has share-based compensation plans consisting of three components:

- A Share Option Plan under which 15,750,000 common shares are reserved for issue;
- A Share Purchase Plan under which 750,000 common shares are reserved for issue; and
- A Share Bonus Plan under which 300,000 common shares are reserved for issue.

Under the Company's share compensation arrangements, within a one-year period, the Company may not issue to insiders common shares exceeding 10% of the outstanding issue and may not issue to any one insider of the Company and the associates of such insider common shares exceeding 5% of the outstanding issue.

### Share Option Plan

Subject to the requirements of the Share Option Plan, the directors of the Company have the authority to select those eligible participants to whom options will be granted, the number of options to be granted and the price at which common shares may be purchased. The exercise price for purchasing common shares cannot be less than the closing price of the common shares on the last trading day immediately preceding the date of the grant of the option. Each option, unless sooner terminated pursuant to the provisions of the Share Option Plan, will expire 10 years from the date the option was granted. Each option becomes exercisable, as to 33⅓% of the common shares subject to such grant, on a cumulative basis at the end of each of the first, second and third year following the date of the grant of the option.

If a take-over bid (within the meaning of the Securities Act (Ontario)) is made for the common shares, then the directors of the Company may permit all options outstanding to become immediately exercisable in order to permit common shares issuable under such options to be tendered to such bid.

## Notes to the consolidated financial statements

The following table sets out the particulars of the share options outstanding:

		2000	1999
Outstanding, beginning of year		12,441,600	11,852,500
Issued during the year:	At exercise price of \$1.17	275,000	
	At exercise price of \$1.40	–	3,495,700
Cancelled during the year:	At exercise price of \$3.00	(300,000)	(2,557,500)
	At exercise price of \$1.85	–	(125,000)
	At exercise price of \$1.40	(199,800)	(224,100)
<b>Outstanding, end of year</b>		<b>12,216,800</b>	<b>12,441,600</b>

Share options outstanding at the end of the year have exercise prices and expiry dates as follows:

Exercise Price	Options Outstanding at December 31, 2000	Options Outstanding December 31, 1999	
\$ 1.10	2,175,000	2,175,000	October 23, 2001
1.17	275,000	–	August 24, 2010
1.40	3,071,800	3,271,600	September 14, 2001
1.85	125,000	125,000	December 3, 2000
2.30	225,000	225,000	February 2001
3.00	1,795,000	1,805,000	December 8, 2000
3.00	922,500	1,020,000	March 5, 2001
3.00	2,850,000	2,850,000	March 2001
3.00	602,500	795,000	September 29, 2000
3.00	175,000	175,000	November 2000
<b>Total</b>	<b>12,216,800</b>	<b>12,441,600</b>	

An additional 2,180,000 share options were issued on January 24, 2001 at an exercise price of \$1.48 expiring on January 23, 2011.

#### Share Purchase Plan

The directors of the Company have the authority to select those directors, officers and employees who may participate in the Share Purchase Plan. The Company will match the participant's contribution, which cannot exceed 10% of the participant's basic annual remuneration on a quarterly basis, and each participant will then be issued common shares having a value equal to the aggregate amount contributed to the Share Purchase Plan by the participant and the Company. The purchase price per share will be the weighted average price of the common shares for the calendar quarter in which the common shares are issued. Such common shares will be delivered to participants 12 months following their date of issue.

To date, no common shares have been issued pursuant to the Share Purchase Plan.

#### Share Bonus Plan

The Share Bonus Plan permits the directors of the Company to issue common shares as a discretionary bonus to employees and members of management of the Company and designated affiliates. To date, no common shares have been issued pursuant to the Share Bonus Plan.

## Notes to the consolidated financial statements

## 10. Joint Ventures and Co-ownerships

The Company participates in incorporated and unincorporated joint ventures, partnerships and co-ownerships ("the joint ventures") with other parties and accounts for its interests using the proportionate consolidation method.

The following amounts represent the total assets and liabilities of the joint ventures in which the Company participates and its proportionate share of the assets, liabilities, revenues, expenses and cash flows therein.

	Total at December 31		Proportionate Share at December 31	
	2000	1999	2000	1999
Assets	\$ 579,379	\$ 514,434	\$ 195,289	\$ 174,795
Liabilities	235,506	173,736	77,539	49,699

	Proportionate Share for the Years Ended December 31	
	2000	1999
Revenues	\$ 29,773	\$ 26,886
Expenses	20,088	19,287
	\$ 9,685	\$ 7,599
Cash flow generated from (utilized in):		
Operating activities	\$ 4,470	\$ 16,111
Financing activities	12,061	(13,942)
Investing activities	(16,759)	(611)
Increase (decrease) in cash and cash equivalents	\$ (228)	\$ 1,558

As at December 31, 2000, the Company is contingently liable for the obligations of the other owners of the unincorporated joint ventures in the aggregate amount of \$101,091 (1999 – \$91,205). In each case, however, the co-owner's share of assets is available to satisfy these obligations.

## 11. Interest

Interest incurred, capitalized and charged to earnings is recorded as follows:

	2000	1999
Interest expense incurred, at stated rate of debt	\$ 44,083	\$ 37,944
Marked to market adjustment to rate	(2,887)	(2,792)
Interest capitalized	(3,412)	(3,499)
Interest expense	\$ 37,784	\$ 31,653

Certain debt assumed on acquisitions completed in prior years has been adjusted to fair value using the market interest rate at the time of the acquisition ("marked to market"). This marked to market adjustment is amortized to interest expense and principal repayments over the remaining life of the debt.

Interest capitalized includes interest on general and specific debt on revenue properties under development and interest capitalized on general and specific debt to land, housing and condominiums under development. Amounts capitalized to land, housing and condominiums flows through the cost of sales when the projects or units are sold.

Cash interest paid in the year is \$44,236 (1999 – \$36,828).

## Notes to the consolidated financial statements

## 12. Loss on Sale and Provision for Diminution in Value of Revenue Properties

Provision for diminution in value of revenue properties totals \$12,790 (1999 – \$2,797).

## 13. Income and Large Corporations Taxes

Years Ended December 31	2000	1999
Income tax provision based on Canadian statutory tax rates	\$ 8,339	\$ 13,304
Increase (decrease) in provision resulting from:		
Benefit from decrease in expected future income tax rates	(8,139)	
Large corporations and minimum corporate taxes	2,627	2,416
Amortization of goodwill	874	891
Other items	92	109
<b>Total income tax provision</b>	<b>\$ 3,793</b>	<b>\$ 16,720</b>

For Canadian income tax purposes, the Company and its subsidiaries have non-capital tax loss carryforwards of \$48,965 (1999 – \$38,800). The benefit of these carryforwards, which expire by 2007, has been recorded in these consolidated financial statements and may be available to offset future taxable income. For U.S. income tax purposes, the Company and its subsidiaries have net operating losses of \$6,695 (1999 – \$7,167) available for utilization in future years, for which the potential benefits have not been recorded as a reduction of future income tax liabilities.

Cash paid for income and large corporations taxes in the year is \$2,751 (1999 – \$4,718).

As disclosed in Note 1, the Company accounts for income taxes using the liability method. This change in accounting policy was applied retroactively, increasing the future income tax liability from \$12,451 to \$35,731 as at January 1, 2000, and from \$158 to \$22,659 as at January 1, 1999. The recognition of this additional future income tax liability resulted in a decrease in the carrying amount of goodwill of \$4,708 (1999 – \$5,273), a decrease in retained earnings of \$27,988 (1999 – \$27,774) and a decrease in net earnings for 1999 of \$214.

## 14. Earnings per Share

The Company has adopted the new CICA recommendations for the calculation of net income per share and as a result has retroactively restated the prior years' computations. Under the revised standard, the treasury stock method is used instead of the imputed earnings approach for determining the dilutive effect of warrants, options and equivalents.

## Notes to the consolidated financial statements

The calculation of net income per share and funds from operations per share using the treasury stock method is explained in the following tables:

For the Year Ended December 31, 2000

	Income (Numerator)	Weighted Average Number of Shares (Denominator)	Per Share Amount
Basic net income per share	\$ 15,261	165,186,486	\$ 0.092
Add non-cash items	28,256		
Basic funds from operations per share	\$ 43,517	165,186,486	\$ 0.263
Effect of dilutive securities:			
Shares securing employees' and directors' share loans		2,200,000	
Weighted average number of options with exercise price below the average share price of \$1.21		206,407	
Diluted net income per share	\$ 15,261	167,592,893	\$ 0.091
Add non-cash items	28,256		
Diluted funds from operations per share	\$ 43,517	167,592,893	\$ 0.260

	Income (Numerator)	Weighted Average Number of Shares (Denominator)	Per Share Amount
Basic net income per share	\$ 13,177	179,379,196	\$ 0.074
Add non-cash items	28,387		
Basic funds from operations per share	\$ 41,564	179,379,196	\$ 0.232
Effect of dilutive securities:			
Shares securing employees' and directors' share loans		2,200,000	
Weighted average number of options with exercise price below the average share price of \$1.29		320,349	
Diluted net income per share	\$ 13,177	181,899,545	\$ 0.072
Add non-cash items	28,387		
Diluted funds from operations per share	\$ 41,564	181,899,545	\$ 0.228

Options to purchase 11,971,800 common shares (1999 – 10,266,600) were excluded from the computation of diluted net income per share because the exercise price of the options was greater than the average market price of the common shares.

The comparative net income per share and funds from operations per share calculated using the imputed earnings method would have been:

For the Years Ended December 31	2000	1999
Basic net income per share	\$ 0.092	\$ 0.075
Fully diluted earnings per share	\$ 0.091	\$ 0.075
Basic funds from operations per share	\$ 0.263	\$ 0.232
Fully diluted funds from operations per share	\$ 0.253	\$ 0.226
Basic weighted average number of shares outstanding	165,186,486	179,379,196
Fully diluted weighted average number of shares outstanding	179,425,211	191,708,267
Imputed income on weighted average outstanding options	\$ 1,827	\$ 1,673

## Notes to the consolidated financial statements

## 15. Segmented Information

The Company's reportable operating segments are comprised of property management, land and housing operations and three different types of revenue properties.

The Company's revenue properties comprise its primary business unit and have been segmented into office, industrial and retail components because of the marketing, leasing and operating strategies unique to each.

The business unit that manages land and housing operations is independent of the revenue property operations.

Management fees and related expenses for all properties managed on behalf of third parties are combined with acquisition and disposition transaction fees and related expenses and are reported under the property management segment.

The accounting policies of the segments are as described in the summary of significant accounting policies. The Company does not allocate interest expense to these segments, since leverage is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, income taxes, general and administrative expenses, and corporate depreciation and amortization are not allocated to the operating segments. All inter-segment sales have been eliminated from the consolidated financial statements and the following tables.

### A. By Activity

For the Year Ended December 31, 2000	Revenue Properties				Land	Housing and Condominiums	Property Management	Totals
	Office	Industrial	Retail	Other				
<b>Operations</b>								
Revenue	\$ 70,028	\$ 37,636	\$ 36,311	\$ 12,170	\$ 33,897	\$ 32,005	\$ 7,348	\$ 229,395
Operating expenses	(38,138)	(14,548)	(18,237)	(10,517)	(26,117)	(32,208)	(3,527)	(143,292)
Depreciation and amortization	(4,731)	(2,568)	(2,187)	(901)	—	—	—	(10,387)
<b>Segment income</b>	<b>\$ 27,159</b>	<b>\$ 20,520</b>	<b>\$ 15,887</b>	<b>\$ 752</b>	<b>\$ 7,780</b>	<b>\$ (203)</b>	<b>\$ 3,821</b>	<b>\$ 75,716</b>
<b>Segment assets</b>	<b>\$ 389,987</b>	<b>\$ 260,271</b>	<b>\$ 201,192</b>	<b>\$ 16,268</b>	<b>\$ 76,885</b>	<b>\$ 34,028</b>	<b>\$ —</b>	<b>\$ 978,631</b>
<b>Capital expenditures</b>								
Investment in revenue properties	\$ (9,739)	\$ (1,785)	\$ (954)	\$ (718)	\$ —	\$ —	\$ —	\$ (13,196)
Deferred leasing costs	(4,413)	(1,828)	(669)	—	—	—	—	(6,910)
Development of land and housing	—	—	—	—	1,039	(7,909)	—	(6,870)
Acquisition of land held for development	—	—	—	—	(3,050)	—	—	(3,050)
<b>Total capital expenditures</b>	<b>\$ (14,152)</b>	<b>\$ (3,613)</b>	<b>\$ (1,623)</b>	<b>\$ (718)</b>	<b>\$ (2,011)</b>	<b>\$ (7,909)</b>	<b>\$ —</b>	<b>\$ (30,026)</b>

<b>Operations</b>								
Revenue	\$ 64,422	\$ 26,341	\$ 38,775	\$ 14,687	\$ 33,273	\$ 37,649	\$ 7,413	\$ 222,560
Operating expenses	(36,008)	(10,574)	(18,916)	(11,517)	—	—	—	(76,015)
Depreciation and amortization	(3,567)	(1,653)	(1,809)	—	—	—	—	(7,029)
<b>Segment income</b>	<b>\$ 24,847</b>	<b>\$ 14,114</b>	<b>\$ 18,050</b>	<b>\$ 2,395</b>	<b>\$ 9,121</b>	<b>\$ 2,278</b>	<b>\$ 264</b>	<b>\$ 71,069</b>
<b>Segment assets</b>	<b>\$ 380,150</b>	<b>\$ 207,192</b>	<b>\$ 214,333</b>	<b>\$ 13,030</b>	<b>\$ 70,792</b>	<b>\$ 25,000</b>	<b>\$ —</b>	<b>\$ 800,497</b>
<b>Capital expenditures</b>								
Investment in revenue properties	\$ (13,656)	—	—	—	—	—	—	(13,656)
Deferred leasing costs	(3,086)	—	—	—	—	—	—	(3,086)
Development of land and housing	—	—	—	—	—	—	—	—
Acquisition of land held for development	—	—	—	—	—	—	—	—
<b>Total capital expenditures</b>	<b>\$ (16,742)</b>	<b>\$ (29,597)</b>	<b>\$ (12,394)</b>	<b>\$ 100</b>	<b>\$ (3,241)</b>	<b>\$ 3,370</b>	<b>\$ —</b>	<b>\$ (49,204)</b>

## Notes to the consolidated financial statements

## B. By Country

For the Year Ended December 31, 2000

	Canada	U.S.	Totals
<b>Operations</b>			
Revenue	\$ 202,743	\$ 26,652	\$ 229,395
Operating expenses	(125,975)	(17,317)	(143,292)
Depreciation and amortization	(8,897)	(1,490)	(10,387)
<b>Segment income</b>	<b>\$ 67,871</b>	<b>\$ 7,845</b>	<b>\$ 75,716</b>
<b>Segment assets</b>	<b>\$ 866,263</b>	<b>\$ 112,368</b>	<b>\$ 978,631</b>
<b>Capital expenditures</b>			
Investment in revenue properties	\$ (11,962)	\$ (1,234)	\$ (13,196)
Deferred leasing costs	(6,783)	(127)	(6,910)
Development of land and housing	2,004	(8,874)	(6,870)
Acquisition of land held for development	(3,050)	–	(3,050)
<b>Total capital expenditures</b>	<b>\$ (19,791)</b>	<b>\$ (10,235)</b>	<b>\$ (30,026)</b>

	Canada	U.S.	Totals
<b>Operations</b>			
Revenue	\$ 181,785	\$ 40,775	\$ 222,560
Operating expenses	(116,276)	(27,401)	(143,677)
Depreciation and amortization	(6,532)	(1,282)	(7,814)
<b>Segment income</b>	<b>\$ 58,977</b>	<b>\$ 12,092</b>	<b>\$ 71,069</b>
<b>Segment assets</b>	<b>\$ 877,741</b>	<b>\$ 99,011</b>	<b>\$ 976,752</b>
<b>Capital expenditures</b>			
Investment in revenue properties	\$ (42,366)	\$ (1,074)	\$ (43,440)
Deferred leasing costs	(4,981)	(154)	(5,135)
Development of land and housing	(769)	8,355	7,586
Acquisition of land held for development	–	(1,449)	(1,449)
<b>Total capital expenditures</b>	<b>\$ (48,116)</b>	<b>\$ 5,678</b>	<b>\$ (42,438)</b>

## Notes to the consolidated financial statements

Reconciliations of segmented operating results and assets with consolidated net income and assets are as follows:

For the Years Ended December 31	2000	1999
<b>Revenue</b>		
From operating segments	\$ 229,395	\$ 222,560
Interest and other income	4,654	4,810
<b>Total revenue</b>	<b>\$ 234,049</b>	<b>\$ 227,370</b>
<b>Net income</b>		
From operating segments	\$ 75,716	\$ 71,069
Interest and other income	4,654	4,810
Interest	(37,784)	(31,653)
Corporate depreciation and amortization	(3,912)	(3,062)
General and administrative	(6,457)	(7,056)
Loss on sale and provision for diminution in value of revenue properties	(13,163)	(4,211)
Income and large corporations taxes	(3,793)	(16,720)
<b>Net income</b>	<b>\$ 15,261</b>	<b>\$ 13,177</b>
<b>At December 31</b>	<b>2000</b>	<b>1999</b>
Segment assets	\$ 978,631	\$ 976,752
Amounts receivable and other assets	81,863	91,727
Portfolio investments	33,902	33,080
Cash and short-term deposits	13,566	6,367
<b>Total assets</b>	<b>\$ 1,107,962</b>	<b>\$ 1,107,926</b>

## 16. Financial Instruments and Risk Management

For certain of the Company's financial instruments, including cash and short-term deposits, amounts receivable, amounts payable, accrued liabilities, land mortgages and housing advances, and bank indebtedness, carrying amounts approximate fair values due to their immediate or short-term maturity.

The fair value of debt is determined by discounting the future contractual cash flows under current financing arrangements at discount rates that represent borrowing rates presently available to the Company for loans with similar terms and maturities. Specific fair values are disclosed in the related notes.

The Company has exposure to interest rate risk primarily as a result of its variable rate debt. Variable rate debt amounted to 17% (1999 – 16%) of the Company's total debt. In order to manage exposure to interest rate risk, the Company endeavours to maintain an appropriate mix of fixed and floating rate debt, stagger maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

The Company is exposed to foreign exchange risk as it relates to its self-sustaining U.S. operations due to fluctuations in the exchange rate between the Canadian and U.S. dollars. Changes in the exchange rate may result in a reduction or an increase in net income. The impact of foreign exchange fluctuations is deferred as a separate component of shareholders' equity until an investment has been liquidated. The Company mitigates this risk by matching foreign denominated debt with foreign assets.

The Company's assets are primarily office, industrial and retail revenue properties and land and housing. Credit risk arises from the possibility that tenants in revenue properties and purchasers of land, houses or condominiums may not fulfill their lease or contract obligations. Further risks arise in the event that borrowers default on the repayment of their loans to the Company. The Company mitigates its credit risks by attracting tenants and land buyers of sound financial standing, diversifying its mix of tenants and ensuring that adequate security has been provided in support of loans.

## Notes to the consolidated financial statements

## 17. Related Party Transactions

From time to time, the Company enters into transactions with related parties. All transactions are conducted under normal commercial terms and are not significant to these financial statements.

## 18. Commitments and Contingencies

The Company and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability which may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of the Company.

The Company's estimated cost to complete revenue properties under development is \$21,000 (1999 – \$32,000).

The Company's annual commitment under capital and operating leases is as follows:

	Operating Lease Payments	Capital Lease Payments
2001	\$ 1,602	\$ 1,270
2002	1,155	374
2003	1,165	18
2004	1,099	
2005 and thereafter	10,670	–
Total	\$ 15,691	\$ 1,662

## 19. Comparative Figures

The 1999 comparative figures have been reclassified to conform to the current year's presentation.

That constitute forward looking statements. Reliance should not be placed on forward-looking statements because of uncertainties which may cause actual performance and results to differ materially from the performance and results implied in such forward-looking statements. The Company has identified certain factors which may cause the actual results to be materially different from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; the Company's ability to obtain financing; the Company's ability to raise capital; the Company's ability to manage its debt; leasing risks, including those associated with the ability to lease vacant space; and interest and currency rate fluctuations all as set forth in the Management's Discussion and Analysis section of this Annual Report, as well as in the Company's Information Form for the year ended December 31, 2000.

## Directors and officers

### Directors

**Dr. Günther Bautz, Director**

Kronberg, Germany

Patent and Trademark Counsel, Braun GmbH

**Detlef Bierbaum, Vice-Chairman**

Köln, Germany

Partner, Sal. Oppenheim jr. & Cie. KGaA

**Donald K. Charter, Director**

Toronto, Ontario

Executive Vice-President, Dundee Bancorp Inc. and

Chairman and Chief Executive Officer,

Dundee Securities Corporation

**David J. Contis, Director**

Santa Monica, California

Executive Vice-President and Chief Operating Officer,

The Macerich Company

**Michael J. Cooper, Director**

Toronto, Ontario

President and Chief Executive Officer,

Dundee Realty Corporation

**Peter A. Crossgrove, Director**

Toronto, Ontario

Chairman, Premdor Inc.

**Michael Freund, Director**

Toronto, Ontario

President and Chief Executive Officer,

Banyan Investment Management Ltd.

**Robert Goodall, Director**

Toronto, Ontario

President, Canadian Mortgage Capital Corporation

**David J. Goodman, Director**

Toronto, Ontario

President, Goodman & Company, Investment Counsel

**Ned Goodman, Chairman**

Toronto, Ontario

Chairman, President and Chief Executive Officer,

Dundee Bancorp Inc.

**Gert Silber-Bonz, Director**

Michelstadt, Germany

Business Consultant

### Officers

**Jeff B. Barnes**

Executive Vice-President and Chief Financial Officer

**Detlef Bierbaum**

Vice-Chairman

**Paul Braun**

Executive Vice-President, Investments

**Don Chmara**

Senior Vice-President and Controller

**Michael J. Cooper**

President and Chief Executive Officer

**Jane Gavan**

Executive Vice-President and General Counsel

**Ned Goodman**

Chairman

**Adarsh Khosla**

Senior Vice-President, Finance

**Michael Knowlton**

Executive Vice-President and Chief Operating Officer

**Bruce Traversy**

Vice-President, Investor Relations and Corporate Analysis

## Corporate directory and information

### Head Office

Dundee Realty Corporation  
390 Bay Street, Suite 1900  
Toronto, Ontario M5H 2Y2  
Telephone: 416-365-3535  
Facsimile: 416-365-3545

### Regional Offices

#### Revenue Properties

Dundee Realty Management Corporation  
1167 Kensington Crescent NW, Suite 250  
Calgary, Alberta T2N 1X7  
Telephone: 403-212-7114  
Facsimile: 403-212-7179

Dundee Realty Management Corporation  
Canada Trust Tower  
10104 103rd Avenue, Suite 1005  
Edmonton, Alberta T5J 0H8  
Telephone: 780-423-4800  
Facsimile: 780-429-3914

Dundee Realty Management Corporation  
390 Bay Street, Suite 810  
Toronto, Ontario M5H 2Y2  
Telephone: 416-365-3537  
Facsimile: 416-365-2333

Dundee Realty Management Corporation  
222 Queen Street, Suite 300  
Ottawa, Ontario K1P 5V9  
Telephone: 613-234-4416  
Facsimile: 613-234-5640

Gestion Immobilière Dundee  
9045 Chemin Côte-de-Liesse, Suite 200  
Dorval, Québec H9P 2M9  
Telephone: 514-631-6636  
Facsimile: 514-631-6218

#### Development and Construction

Dundee Realty Construction Ltd.  
Suite 810, 390 Bay Street  
Toronto, Ontario M5H 2Y2  
Telephone: 416-365-3535  
Facsimile: 416-365-6568

Dundee Development Corporation  
2100 8th Street East, Suite 300  
Saskatoon, Saskatchewan S7H 0V1  
Telephone: 306-374-6100  
Facsimile: 306-955-7673

Dundee Development Corporation  
1230 Blackfoot Drive, Suite 105  
Regina, Saskatchewan S4S 7G4  
Telephone: 306-347-8130  
Facsimile: 306-347-8109

Dundee Development Corporation  
1305 11th Avenue SW, Suite 302  
Calgary, Alberta T3C 3P6  
Telephone: 403-245-3515  
Facsimile: 403-244-2889

Dundee Development Corporation  
Canada Trust Tower  
10104 103rd Avenue, Suite 1005  
Edmonton, Alberta T5J 0H8  
Telephone: 780-423-4805  
Facsimile: 780-426-3378

#### United States

Dundee Realty USA Inc.  
210 Offerson Road, Box 160  
Beaver Creek, Colorado 81620  
Telephone: 970-845-7838  
Facsimile: 970-845-7237

### Transfer Agent

Computershare Trust Company of Canada  
11th Floor, 100 University Avenue  
Toronto, Ontario M5J 2Y1

### Auditors

Arthur Andersen LLP  
79 Wellington Street West, Suite 1900  
P.O. Box 29, TD Centre  
Toronto, Ontario M5K 1B9

### Corporate Counsel

Smith Lyons  
Scotia Plaza  
40 King Street West, Suite 5800  
Toronto, Ontario M5H 3Z7

### Stock Exchange Listing

Toronto Stock Exchange  
Listing Symbol – D

### Corporate Information

e-mail: [info@dundeerealty.com](mailto:info@dundeerealty.com)

web sites: [www.dundeerealty.com](http://www.dundeerealty.com)  
[www.dundeedevelopments.com](http://www.dundeedevelopments.com)  
[www.homesbydundee.com](http://www.homesbydundee.com)

### Annual and Special Meeting of Shareholders

Thursday, May 10, 2001  
4:00 pm (EDT)  
Design Exchange, Toronto-Dominion Centre  
234 Bay Street, Toronto, Ontario M5X 1B2

## Commercial revenue properties

(as at December 31, 2000)

Property	Owned Share of Total GLA in Square Feet	No. of Buildings
<b>Office</b>		
Suburban West Island	236,689	8
Suburban Central	183,109	3
Suburban East Island	182,286	2
Suburban South Shore	154,990	5
<b>Total Montréal Office</b>	<b>757,074</b>	<b>18</b>
Downtown	334,267	2
Suburban	321,579	4
<b>Total Ottawa Office</b>	<b>655,846</b>	<b>6</b>
Suburban North	536,350	6
Midtown	469,307	4
Downtown	337,229	3
Suburban West	180,088	12
<b>Total Toronto Office</b>	<b>1,522,974</b>	<b>25</b>
<b>Total Ontario Office</b>	<b>2,178,820</b>	<b>31</b>
Saskatoon	101,989	3
Edmonton	172,826	1
Calgary	76,459	1
Vancouver	211,729	1
<b>Total Western Canada Office</b>	<b>563,003</b>	<b>6</b>
<b>Total United States Office</b>	<b>33,234</b>	<b>1</b>
<b>Total Office</b>	<b>3,532,131</b>	<b>56</b>
<b>Industrial</b>		
Saint-Laurent	1,290,221	17
Dorval	575,202	13
Longueuil	256,393	7
Montréal	226,755	2
Laval	202,063	2
Brossard	123,255	3
Boucherville	71,583	2
Pointe-Claire	55,333	1
<b>Total Montréal Industrial</b>	<b>2,800,805</b>	<b>47</b>
Mississauga	413,703	10
Brampton	385,290	7
Toronto	212,110	1
Vaughan	148,031	2
Markham	94,588	3
Burlington	81,776	1
<b>Total Toronto Industrial</b>	<b>1,335,498</b>	<b>24</b>
Northwest	684,991	9
Southeast	181,396	4
<b>Total Edmonton Industrial</b>	<b>866,387</b>	<b>13</b>
Foothills	515,658	9
Northeast	328,631	8
Central	263,270	10
<b>Total Calgary Industrial</b>	<b>1,107,559</b>	<b>27</b>
<b>Total Industrial</b>	<b>6,110,249</b>	<b>111</b>
<b>Retail</b>		
Ontario	910,336	7
Western Canada	637,448	6
United States	871,495	2
<b>Total Retail</b>	<b>2,419,279</b>	<b>15</b>
<b>Total Revenue Property Portfolio</b>	<b>12,061,659</b>	<b>182</b>

\$260,271 total industrial assets    \$  
\$37,784 interest expense    \$34,028 ho  
2,200 tenants    3,569 acres land held f  
\$549,456 total debt    \$90.7 million co  
\$0.092 net income per share    95% to  
\$76,885 land    \$33,902 portfolio inve  
13,285,900 shares repurchased in 2000  
160,534,292 shares outstanding  
\$43,517 funds from operations    \$15,20



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